

Multiple Agency Fiscal Note Summary

Bill Number: 1260 HB	Title: Marijuana market
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Estimated Cash Receipts

Agency Name	2021-23			2023-25			2025-27		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Office of Attorney General	0	0	1,350,000	0	0	140,000	0	0	140,000
Liquor and Cannabis Board	0	0	2,230,700	0	0	2,234,600	0	0	2,234,600
Liquor and Cannabis Board	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.								
Total \$	0	0	3,580,700	0	0	2,374,600	0	0	2,374,600

Estimated Operating Expenditures

Agency Name	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of Attorney General	5.1	0	0	1,350,000	.5	0	0	140,000	.5	0	0	140,000
Liquor and Cannabis Board	31.2	0	0	7,672,165	27.3	0	0	5,615,414	27.3	0	0	5,615,414
Total \$	36.3	0	0	9,022,165	27.8	0	0	5,755,414	27.8	0	0	5,755,414

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of Attorney General	.0	0	0	.0	0	0	.0	0	0
Liquor and Cannabis Board	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

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Phone:

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Date Published:

Final 2/11/2021

Individual State Agency Fiscal Note

Bill Number: 1260 HB	Title: Marijuana market	Agency: 100-Office of Attorney General
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2022	FY 2023	2021-23	2023-25	2025-27
Legal Services Revolving Account-State 405-1	802,000	548,000	1,350,000	140,000	140,000
Total \$	802,000	548,000	1,350,000	140,000	140,000

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	6.0	4.1	5.1	0.5	0.5
Account					
Legal Services Revolving Account-State 405-1	802,000	548,000	1,350,000	140,000	140,000
Total \$	802,000	548,000	1,350,000	140,000	140,000

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.

Legislative Contact: Peter Clodfelter	Phone: 360-786-7127	Date: 01/18/2021
Agency Preparation: Bruce Turcott	Phone: (360) 586-2738	Date: 02/10/2021
Agency Approval: Edd Giger	Phone: 360-586-2104	Date: 02/10/2021
OFM Review: Tyler Lentz	Phone: (360) 790-0055	Date: 02/11/2021

Part II: Narrative Explanation

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

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

Section 1 adds a new section to chapter 69.50 RCW to create a craft cannabis license, with priority given to social equity applicants as further defined by the Liquor and Cannabis Board in rule.

Section 2 adds a new section to chapter 69.50 RCW to create a task force on cannabis policy, with legislative and industry members.

This law is assumed effective July 1, 2021 for this fiscal note.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

Cash receipts are assumed to equal the Legal Services Revolving Account (LSRA) cost estimates. These will be billed through the revolving account to the client agency.

The client agency is the Liquor and Cannabis Board (LCB). The Attorney General's Office (AGO) will bill all clients for legal services rendered.

These cash receipts represent the AGO's authority to bill and are not a direct appropriation to the AGO. The direct appropriation is reflected in the client agency's fiscal note. Appropriation authority is necessary in the AGO budget.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Attorney General's Office (AGO) Agency Assumptions:

1. This bill is assumed effective 90 days after the end of the 2021 legislative session.
2. Total workload impact in this request includes standard assumption costs for good & services, travel, and capital outlays for all FTE identified.
3. Agency administration support FTE are included in the tables below, using a Management Analyst 5 as a representative classification.
4. The AGO Licensing & Administrative Law Division (LAL) has reviewed this bill and determined it will not significantly increase the division's workload in representing the Liquor and Cannabis Board (LCB). LCB legal advice on the Craft Cannabis Licenses and rulemaking mandated by the bill will be provided with existing resources. LAL will not provide legal services to the task force on cannabis policy because it is not a client of the AGO, as it includes legislative and industry members. New legal services are nominal and costs are not included in this request.

Assumptions for the AGO Government Compliance & Enforcement Division's (GCE) Legal Services for the LCB:

1. The AGO will bill LCB for legal services based on the enactment of this bill.
2. GCE litigates licensing and enforcement actions for the LCB.
3. This bill creates a new Craft Cannabis Producer/Processor License. An individual or entity that holds a new Craft Cannabis Producer/Processor License may not hold any other marijuana license. In addition to authorizing the production and processing of marijuana, the new license will authorize retail sales of craft cannabis products from the production facilities.
4. Existing Marijuana Producer and Processor licensees would be permitted to transition the license to the new license type upon the effective date of the bill.
5. The LCB will be required to prioritize applications from social equity applicants, as that term is defined in the bill, and can issue no more than 50 new Craft Cannabis Producer/Processor License to such applicants. In addition, the LCB will issue a Craft Cannabis Producer/Processor License to all currently licensed marijuana producers that meet the qualifications and opt to transition license types. The LCB can reissue a license to another applicant if the license is revoked, relinquished, or canceled.
6. The LCB assumes that the majority of the applications for this new license type will be received within the first two years, and we concur with this assumption.

A. LCB assumes that in both FY 2022 and FY 2023, they would receive 1,147 applications per year. They further assume that 547 applications would be denied each year, and from those they assume that approximately 20 percent, or 109 new licensing appeals would be received each year.

B. Beginning in FY 2024 and each year thereafter, LCB assumes that they would receive 50 new applications each year, of which 24 will be denied, which would result in five new licensing appeals.

7. In view of the limited number of licenses for social equity applicants, GCE assumes that applications for those licenses will be received during FY 2022. GCE further assumes that litigation of appeals resulting from denials of social equity applications will occur in FY 2022 and will be more complex and labor intensive in view of the standards set forth in this bill. As a result, GCE assumes that each license denial during FY 2022 will utilize an average of 45 Assistant Attorney General (AAG) hours. Based on current workloads and Paralegal (PL) utilization, GCE assumes to use PL services for these new administrative cases at a ratio of 1 PL hour for 3 AAG hours, or 15 hours per case.

A. In FY 2022, GCE assume that the litigation relating to license denials will generate 4,905 AAG hours (109 x 45) and 1,635 PL hours (109 x 15).

8. Beginning FY 2023, GCE assumes that the license denial cases will be less complex, and as a result, each license denial will only require 30 AAG hours and 10 PL hours.

A. Therefore, in FY 2023, we assume that the license denials would generate 3,270 AAG hours (109 x 30) and

1,090 PL hours (109 x 10).

B. Beginning FY 2024 and each year thereafter, GCE assumes that the license denials will generate 150 AAG hours (5 x 30) and 50 PL hours (5 x 10).

9. LCB assumes that beginning in FY 2022 and continuing each FY thereafter, the new license type will result in ten new enforcement cases. GCE assumes that the majority of these cases could be resolved on summary judgment, and as a result, each case will require 30 AAG hours and 10 PL hours.

A. Beginning in FY 2022, new enforcement litigation will generate 300 AAG hours (10 x 30) and 100 PL hours (10 x 10).

10. As a result of this bill, GCE assumes to see a total increase as follows:

FY 2022: 5,205 AAG hours (4,905 + 300) and 1,735 PL hours (1,635 + 100).

FY 2023: 3,570 AAG hours (3,270 + 300) and 1,190 PL hours (1,090 + 100).

FY 2024 and in each FY thereafter: 450 AAG hours (150 + 300) and 150 PL hours (50 + 100).

11. Total workload impact:

FY 2022: 2.89 AAG, 1.45 Legal Assistant (LA) and 0.96 PL at a cost of \$802,000.

FY 2023: 1.98 AAG, 0.99 LA and 0.66 PL at a cost of \$548,000.

FY 2024 and in each FY thereafter: 0.25 AAG, 0.13 LA and 0.08 PL at a cost of \$70,000 per FY.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
405-1	Legal Services Revolving Account	State	802,000	548,000	1,350,000	140,000	140,000
Total \$			802,000	548,000	1,350,000	140,000	140,000

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	6.0	4.1	5.1	0.5	0.5
A-Salaries and Wages	523,000	358,000	881,000	90,000	90,000
B-Employee Benefits	167,000	114,000	281,000	28,000	28,000
E-Goods and Other Services	97,000	68,000	165,000	18,000	18,000
G-Travel	6,000	4,000	10,000	2,000	2,000
J-Capital Outlays	9,000	4,000	13,000	2,000	2,000
Total \$	802,000	548,000	1,350,000	140,000	140,000

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 2022	FY 2023	2021-23	2023-25	2025-27
Assistant Attorney General	108,600	2.9	2.0	2.4	0.3	0.3
Legal Assistant 3	54,108	1.5	1.0	1.2	0.1	0.1
Management Analyst 5	88,644	0.7	0.5	0.6	0.1	0.1
Paralegal 2	69,264	1.0	0.7	0.8	0.1	0.1
Total FTEs		6.0	4.1	5.1	0.5	0.5

III. D - Expenditures By Program (optional)

Program	FY 2022	FY 2023	2021-23	2023-25	2025-27
Government Compliance & Enforcement Division (GCE)	802,000	548,000	1,350,000	140,000	140,000
Total \$	802,000	548,000	1,350,000	140,000	140,000

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

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

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Revised

Bill Number: 1260 HB	Title: Marijuana market	Agency: 195-Liquor and Cannabis Board
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2022	FY 2023	2021-23	2023-25	2025-27
Dedicated Marijuana Account-State 315-1	839,150	1,391,550	2,230,700	2,234,600	2,234,600
Total \$	839,150	1,391,550	2,230,700	2,234,600	2,234,600

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	26.8	35.5	31.2	27.3	27.3
Account					
Dedicated Marijuana Account-State 315-1	3,626,586	4,045,579	7,672,165	5,615,414	5,615,414
Total \$	3,626,586	4,045,579	7,672,165	5,615,414	5,615,414

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.

Legislative Contact: Peter Clodfelter	Phone: 360-786-7127	Date: 01/18/2021
Agency Preparation: Thea McNally	Phone: 360-664-4552	Date: 02/11/2021
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 02/11/2021
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 02/11/2021

Part II: Narrative Explanation

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

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

Sec.1 (1) Except as otherwise provided in this section, the privileges and requirements of a craft cannabis producer/processor license issued under this section are the same privileges and requirements of a marijuana producer license and of a marijuana processor license issued under RCW 69.50.325.

(2)(a) Except as provided in (b) of this subsection, the amount of the application fee is \$250 and the amount of the annual license fee for a craft cannabis producer/processor license is \$2,762.

(b)(i) The board shall establish a reduced application fee and reduced license fee for a craft cannabis producer/processor applicant or licensee who meets the definition of a social equity applicant in this section.

(ii) For an applicant who switches from operating under two marijuana producer licenses to one license under this section, the annual license fee is \$4,143 if the licensee is authorized to have up to an additional 30,000 square feet of seasonal sungrown production canopy in accordance with subsection (3) of this section. For an applicant who switches from operating under three marijuana producer licenses to one license under this section, the license fee is \$5,524 10 if the licensee is authorized to have up to an additional 60,000 square feet of seasonal sungrown production canopy in accordance with subsection (3) of this section.

(3)(a) The holder of a craft cannabis producer/processor license may not hold any other marijuana license issued under this chapter, including another craft cannabis producer/processor license

(5)(a) Beginning on the effective date of this section, a person, business, or entity who holds a marijuana producer license issued under RCW 69.50.325 and who qualifies for a license under this section, may opt to transition to a license issued under this section. A licensee who holds a processor license issued under RCW 2769.50.325 and who is transitioning to a craft producer/processor license is not required to pay an additional license fee. A licensee who does not hold a processor license under RCW 69.50.325 and who is transitioning to a craft producer/processor license must pay the difference in the license fee amounts to be issued a license under this section.

Sec. 2. A new section is added to chapter 69.50 RCW to read as follows:33 34

(1)(a) A task force on cannabis policy is established

(1)(a)(iii) The board shall appoint five members who are each a representative of a licensed craft cannabis producer/processor or a marijuana producer who has applied to convert a marijuana producer license to a craft cannabis producer/processor license, who wish to participate on the task force.

(iv) The board shall appoint one representative of the board.

(3) Staff support for the task force must be provided by the board.

(5)(a) Except as provided in (b) of this subsection, the expenses of the task force must be paid by the board and are subject to the board's approval.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

The Liquor and Cannabis Board (LCB) estimates that 1,147 applications for the craft cannabis producer/processor license will be received per year in FY22 and FY23. Of those 1,147 applications, 600 licenses would be issued per year for a total of 1,200 new licenses. Additionally, the LCB anticipates receiving 50 applications per year beginning in FY24 and each year thereafter but assumes the number of craft producer/processor licenses remains at 1,200 with the number of new licensees entering the market being offset by existing licensees deciding to leave the market.

The LCB assumes that two-thirds (400) of the 600 new craft cannabis producer/processor licenses per year in FY22 and FY23 would be issued to existing licensees transitioning from either a producer or producer/processor license. There is a total of 1,076 existing producer and producer/processor licenses, of which 13.5% are producer only. For the purpose of this fiscal note, the 13.5% ratio was applied to the two-thirds (400) of licensees estimated to transition to the new license in order to determine the estimated number of 54 producer only licensees that would transition. The remaining 346 existing licensees estimated to transition to the craft producer/processor license are assumed to be producer/processors. This distinction is important as producer only licenses would be required to pay an additional \$1,381 from their current annual license fee in order to obtain the craft producer/processor license, whereas the license fee will remain unchanged for existing producer/processor licenses that transition to the new license.

CASH RECEIPT IMPACT:

APPLICATION FEES:

FY2022: 1,147 Applications x \$250 = \$286,750

FY2023: 1,147 Applications x \$250 = \$286,750

FY2024+: 50 Applications x \$250 = \$12,500

LICENSE FEE REVENUE FROM CRAFT CANNABIS LICENSE:

Producer only licenses transitioning to a craft producer/processor:

FY2022: 54 licenses x \$1,381 = \$74,574

FY2023+: 108 licenses x \$1,381 = \$149,148

Producer/Processor licenses transitioning to a craft producer/processor:

FY2022: 346 licenses x \$2,762 = \$955,652

FY2023+: 692 licenses x \$2,762 = \$1,911,304

New Licensees:

FY2022: 200 licenses x \$2,762 = \$552,400

FY2023+: 400 licenses x \$2,762 = \$1,104,800

Total Revenue from Craft Cannabis Licensing Fees:

FY2022: \$1,869,376

FY2023: \$3,452,002

FY2024+: \$3,177,752

LOST LICENSE FEE REVENUE FROM EXISTING PRODUCERS & PRODUCER/PROCESSORS

TRANSITIONING:

Producer only licenses transitioning to a craft producer/processor:

FY2022: 54 licenses x \$1,381 = (\$74,574)

FY2023+: 108 licenses x \$1,381 = (\$149,148)

Producer/Processor licenses transitioning to a craft producer/processor:

FY2022: 346 licenses x \$2,762 = (\$955,652)

FY2023+: 692 licenses x \$2,762 = (\$1,911,304)

Total Revenue Lost from Existing Producers & Producers/Processors Transitioning:

FY2022: (\$1,030,226)

FY2023+: (\$2,060,452)

NET TOTAL CASH RECEIPTS IMPACT:

FY2022: \$839,150

FY2023: \$1,391,550

FY2024+: \$1,117,300

EXCISE TAX:

It is assumed this bill could generate additional excise tax as section 1(4) of the bill allows craft cannabis producer/processors to make retail sales from their licensed production facility. The cash receipt impact from the marijuana excise tax is indeterminate as the LCB does not make any assumption as to how much excise tax revenue could be generated.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

This bill would create a new craft cannabis producer/processor license that allows the craft producer/processors to sell their product at retail from their licensed location. The product would be subject to marijuana excise tax on retail sales of marijuana products. The Liquor and Cannabis Board (LCB) anticipates processing 1,147 applications per year in FY22 and FY23, and 50 applications per year beginning in FY24 and each year thereafter. Of the 1,147 applications per year in FY22 and FY23, the LCB estimates 400 currently licensed producer and producer/processor licenses would apply to transition to the new craft cannabis license, and 747 applications would be received from new applicants with 200 of those receiving a license and the remaining 547 not being licensed. This would increase workloads in the Licensing, Enforcement, Information Technology and Finance Departments.

BOARD DIVISION:

The Washington state Attorney General's Office (AGO) anticipates billing the LCB for legal work arising from litigation by applicants whose social equity application did not get approved.

FY22: \$802,000
FY23: \$548,000
FY24+: \$70,000/yr ongoing.

FINANCE DIVISION

Marijuana Tax Unit:

Based on the workload increase of the tax reporting and collection the unit would require:

FY2022: 8.0 FTE Fiscal Analyst 2 - \$657,712/yr (\$635,552 salary/benefits, \$22,160 in associated costs).

Onetime costs in FY22 of \$48,840 for equipment purchases.

FY2023+: 12.0 FTE Fiscal Analyst 2 - \$986,568/yr (\$953,328 salary/benefits, \$33,240 in associated costs).

Onetime costs in FY23 of \$24,420 for equipment purchases.

Additional licenses for the Great Plains accounting software used by the Marijuana Tax Unit will need to be purchased annually for each additional FTE. The estimated cost per license is \$3,600.

FY2022: 8 FTE x \$3600 = \$28,800

FY2023+: 12 FTE x \$3600 = \$43,200

Auditors:

New licensees would need to be audited requiring

FY2022: 4.0 FTE Revenue Auditor 2 - \$442,148/yr (\$384,228 salary/benefits, \$57,920 in associated costs).

Onetime costs in FY22 of \$5,300 for equipment purchases.

FY2023+: 8.0 FTE Revenue Auditor 2 - \$884,296/yr (\$768,456 salary/benefits, \$115,840 in associated costs).

Onetime costs in FY23 of \$5,300 for equipment purchases.

The Audit department would require a supervisor for the additional staff.

FY2022+: 1.0 FTE Revenue Auditor 3 - \$119,185/yr (\$104,705 salary/benefits, \$14,480 in associated costs).

Onetime costs in FY22 of \$1,325 for equipment purchases.

A manager would be required to oversee the increase of FTE's in the Audit Department.

FY2022+: 1.0 FTE WMS Band 2 - \$119,480/yr (\$105,000 salary/benefits, \$14,480 in associated costs). Onetime

costs in FY22 of \$1,325 for equipment purchases.

General Accounting:

There would be a workload increase in the mail room to process the additional tax reports and payments. Based on half the new payments being EFT and half as checks the General Accounting unit would require

FY2022+: 0.3 FTE Fiscal Analyst 2 - \$24,665/yr (\$23,834 salary/benefits, \$831 in associated costs).

LICENSING DIVISION

The review of all new applications and transferring of existing applications would require

FY2022: 8.0 FTE Licensing Specialist Senior - \$670,600/yr (\$648,440 salary/benefits, \$22,160 in associated costs). Onetime costs in FY22 of \$48,840 for equipment purchases.

FY2023: 8.0 FTE Licensing Specialist Senior - \$670,600/yr (\$648,440 salary/benefits, \$22,160 in associated costs).

FY2024+: 1.0 FTE Licensing Specialist Senior - \$83,825/yr (\$81,055 salary/benefits, \$2,770 in associated costs).

The preparation and support of the Licensing Specialist Seniors would require

FY2022-23: 0.1 FTE Customer Service Specialist 2 - \$7,149/yr (\$6,872 salary/benefits, \$277 in associated costs).

Additional support staff would be required

FY 2022-23: 0.1 FTE Office Assistant 3 - \$6,756/yr (\$6,479 salary/benefits, \$277 in associated costs).

The division expects that 20% of applicants that do not receive a license will appeal. This will require an adjudications coordinator during FY22-23.

FY 2022-23: 1.0 FTE Program Specialist 3 - \$97,127/yr (\$96,057 salary/benefits, \$1,070 in associated costs). Onetime costs in FY22 of \$1,725 for equipment purchases.

ENFORCEMENT DIVISION

The LCB 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.

Premises checks, compliance checks, and licensee support and education would need to be conducted on the craft cannabis licensees. Based on the attached "1260 HB Craft Cannabis Production" Enforcement Field Increment Calculator the LCB would require:

FY2022: 1.0 FTE LCB Enforcement Officer 2 - \$122,005/yr (\$106,045 salary/benefits, \$15,960 in associated costs). Onetime costs in FY22 of \$26,795 for equipment purchases.
 FY2023+: 2.0 FTE LCB Enforcement Officer 2 - \$244,010/yr (\$212,090 salary/benefits, \$31,920 in associated costs). Onetime costs in FY23 of \$26,795 for equipment purchases.

Additionally, 2 Compliance Consultants (Administrative Regulations Analyst 3) will be consulting with the LEO's

FY2022: 1.0 FTE Administrative Regulations Analyst 3 - \$116,239/yr (\$100,279 salary/benefits, \$15,960 in associated costs). Onetime costs in FY22 of \$10,215 for equipment purchases.
 FY2023+: 2.0 FTE Administrative Regulations Analyst 3 - \$232,478/yr (\$200,558 salary/benefits, \$31,920 in associated costs). Onetime costs in FY23 of \$10,215 for equipment purchases.

INFORMATION TECHNOLOGY DIVISION

One time costs would be incurred in order to make internal system updates for sharepoint and replication along with AS400. One time vendor costs for the AS400 would be \$66,000. One time vendor costs related to the agency's in-flight systems modernization project would be \$2,500.

FY2022: 1.3 FTE IT App Development - Senior/Specialist - \$198,130/yr (\$196,739 salary/benefits, \$1,391 in associated costs). Onetime costs in FY22 of \$1,725 for equipment purchases.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
315-1	Dedicated Marijuana Account	State	3,626,586	4,045,579	7,672,165	5,615,414	5,615,414
Total \$			3,626,586	4,045,579	7,672,165	5,615,414	5,615,414

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	26.8	35.5	31.2	27.3	27.3
A-Salaries and Wages	1,724,279	2,216,646	3,940,925	3,490,100	3,490,100
B-Employee Benefits	689,951	904,508	1,594,459	1,407,952	1,407,952
C-Professional Service Contracts					
E-Goods and Other Services	996,206	720,075	1,716,281	409,038	409,038
G-Travel	89,740	154,340	244,080	300,680	300,680
J-Capital Outlays	126,410	50,010	176,420	7,644	7,644
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	3,626,586	4,045,579	7,672,165	5,615,414	5,615,414

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 2022	FY 2023	2021-23	2023-25	2025-27
Administrative Regulations Analyst 3	72,756	1.0	2.0	1.5	2.0	2.0
Customer Service Specialist 2	46,644	0.1	0.1	0.1		
Fiscal Analyst 2	55,524	8.3	12.3	10.3	12.3	12.3
IT App Development - Senior/Specialist	114,984	1.3		0.7		
LCB Enforcement Officer 2	74,604	1.0	2.0	1.5	2.0	2.0
Licensing Specialist Senior	56,856	8.0	8.0	8.0	1.0	1.0
Office Assistant 3	43,392	0.1	0.1	0.1		
Program Specialist 3	69,264	1.0	1.0	1.0		
Revenue Auditor 2	69,264	4.0	8.0	6.0	8.0	8.0
Revenue Auditor 3	76,416	1.0	1.0	1.0	1.0	1.0
WMS Band 2	80,000	1.0	1.0	1.0	1.0	1.0
Total FTEs		26.8	35.5	31.2	27.3	27.3

III. D - Expenditures By Program (optional)

Program	FY 2022	FY 2023	2021-23	2023-25	2025-27
Board Division (010)	802,000	548,000	1,350,000	140,000	140,000
Finance Division (020)	1,448,780	2,207,114	3,655,894	4,354,788	4,354,788
Licensing Division (050)	832,197	776,967	1,609,164	167,650	167,650
Enforcement Division (060)	275,254	513,498	788,752	952,976	952,976
Information Technology Division (070)	268,355		268,355		
Total \$	3,626,586	4,045,579	7,672,165	5,615,414	5,615,414

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

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

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Sec. 1. (4)(a) Pursuant to rules adopted by the board by January 1, 2022, licensees may make retail sales of marijuana products produced and processed entirely by the craft cannabis producer/processor from the licensed production facility.

1260 HB - Enforcement Field Increment (FI) Calculator

Converted licenses

	Number of events	Time Factor	Staffing Factor	FI Total	Officer	Consultant
Marijuana Premises Check (Non-Retail)	60	10	1.3	780	257	515
Marijuana Retailer Compliance Check	400	2	2	1600	1600	
License Support and Education (Cannabis)	60	10	1	600		600
Complaint Investigations Marijuana	4	20	1.3	104	104	
Total FI's				3,084	1,961	1,115
Total Field Increments per FTE				4,220	4,220	4,220
FTE's required				0.73	0.46	0.26
Round				0.80	0.50	0.30

Marijuana Premises Check (Non-Retail)	15%
Marijuana Retailer Compliance Check	1
License Support and Education (cannabis)	15%
Complaint Investigations Marijuana	1%

Number of locations 400

1260 HB - Enforcement Field Increment (FI) Calculator Year 2

	Number of events	Time Factor	Staffing Factor	FI Total	Officer	Consultant
Marijuana Premises Check (Non-Retail)	120	10	1.3	1560	515	1030
Marijuana Retailer Compliance Check	800	2	2	3200	3200	
License Support and Education (cannabis)	120	10	1	1200		1200
Complaint Investigations Marijuana	8	20	1.3	208	208	
Total FI's				6,168	3,923	2,230
Total Field Increments per FTE				4,220	4,220	4,220
FTE's required				1.46	0.93	0.53
Round				1.50	1.00	0.60

Marijuana Premises Check (Non-Retail)	15%
Marijuana Retailer Compliance Check	1
License Support and Education (cannabis)	15%
Complaint Investigations Marijuana	1%

Number of locations 800

1260 HB - Enforcement Field Increment (FI) Calculator

New Licenses

	Number of events	Time Factor	Staffing Factor	FI Total	Officer	Consultant
Marijuana Premises Check (Non-Retail)	200	10	1.3	2600	858	1716
Marijuana Retailer Compliance Check	200	2	2	800	800	
License Support and Education (cannabis)	50	10	1	500		500
Complaint Investigations Marijuana	2	20	1.3	52	52	
Consultant Visits	20	9	1	180		180
Total FI's				4,132	1,710	2,396
Total Field Increments per FTE				4,220	4,220	4,220
FTE's required				0.98	0.41	0.57
Round				1.00	0.50	0.60

Marijuana Premises Check (Non-Retail)	100%
Marijuana Retailer Compliance Check	1
License Support and Education (cannabis)	25%
Complaint Investigations Marijuana	1%
Consultant Visits	10%

Number of locations	200
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1260 HB - Enforcement Field Increment (FI) Calculator Year 2

	Number of events	Time Factor	Staffing Factor	FI Total	Officer	Consultant
Marijuana Premises Check (Non-Retail)	400	10	1.3	5200	1716	3432
Marijuana Retailer Compliance Check	400	2	2	1600	1600	
License Support and Education (cannabis)	100	10	1	1000		1000
Complaint Investigations Marijuana	4	20	1.3	104	104	
Consultant Visits	40	9	1	360		360
Total FI's				8,264	3,420	4,792
Total Field Increments per FTE				4,220	4,220	4,220
FTE's required				1.96	0.81	1.14
Round				2.00	0.90	1.20

Marijuana Premises Check (Non-Retail)	100%
Marijuana Retailer Compliance Check	1
License Support and Education (cannabis)	25%
Complaint Investigations Marijuana	1%
Consultant Visits	10%

Number of locations	400
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Multiple Agency Ten-Year Analysis Summary

Bill Number 1260 HB	Title Marijuana market
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This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

Estimated Cash Receipts

	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	2022-31 TOTAL
Office of Attorney General	0	0	0	0	0	0	0	0	0	0	0
Liquor and Cannabis Board Partially Indeterminate Impact	839,150	1,391,550	1,117,300	1,117,300	1,117,300	1,117,300	1,117,300	1,117,300	1,117,300	1,117,300	11,169,100
Total	839,150	1,391,550	1,117,300	1,117,300	1,117,300	1,117,300	1,117,300	1,117,300	1,117,300	1,117,300	11,169,100



Ten-Year Analysis

Bill Number 1260 HB	Title Marijuana market	Agency 100 Office of Attorney General
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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**

Name of Tax or Fee	Acct Code											

Agency Preparation: Bruce Turcott	Phone: (360) 586-2738	Date: 2/10/2021 9:02:19 pm
Agency Approval: Edd Giger	Phone: 360-586-2104	Date: 2/10/2021 9:02:19 pm
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 1/26/2021 10:41:30 am



Ten-Year Analysis

Bill Number 1260 HB	Title Marijuana market	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	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	2022-31 TOTAL
Craft Cannabis Producer/Processor Application Fee	315	286,750	286,750	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	673,500
Craft Cannabis Producer/Processor License Fee	315	1,582,626	3,165,252	3,165,252	3,165,252	3,165,252	3,165,252	3,165,252	3,165,252	3,165,252	3,165,252	30,069,894
Marijuana Processor License Fee	315	(477,826)	(955,652)	(955,652)	(955,652)	(955,652)	(955,652)	(955,652)	(955,652)	(955,652)	(955,652)	(9,078,694)
Marijuana Producer License Fee	315	(552,400)	(1,104,800)	(1,104,800)	(1,104,800)	(1,104,800)	(1,104,800)	(1,104,800)	(1,104,800)	(1,104,800)	(1,104,800)	(10,495,600)
Total		839,150	1,391,550	1,117,300	1,117,300	1,117,300	1,117,300	1,117,300	1,117,300	1,117,300	1,117,300	11,169,100
Biennial Totals		2,230,700	2,234,600	2,234,600	2,234,600	2,234,600	2,234,600	2,234,600	2,234,600	2,234,600	2,234,600	11,169,100

Narrative Explanation (Required for Indeterminate Cash Receipts)

Section 1 of the bill creates a craft cannabis producer/processor license. The amount of the application fee is \$250 and the amount of the annual license fee for the license is \$2,762.

The current cost in statute of a marijuana producer license is \$1,381. The current cost in statute for a marijuana processor license is \$1,381. Currently licensed producers that also hold a processor license pay both license fees for a total of \$2,762.

The Liquor and Cannabis Board (LCB) estimates that 1,147 applications for the craft cannabis producer/processor license will be received per year in FY22 and FY23. Of those 1,147 applications, 600 licenses would be issued per year for a total of 1,200 new licenses. Additionally, the LCB anticipates receiving 50 applications per year beginning in FY24 and each year thereafter but assumes the number of craft producer/processor licenses remains at 1,200 with the number of new licensees entering the market being offset by existing licensees deciding to leave the market.



Ten-Year Analysis

Bill Number	Title	Agency
1260 HB	Marijuana market	195 Liquor and Cannabis Board

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>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

The LCB assumes that two-thirds (400) of the 600 new craft cannabis producer/processor licenses per year in FY22 and FY23 would be issued to existing licensees transitioning from either a producer or producer/processor license. There is a total of 1,076 existing producer and producer/processor licenses, of which 13.5% are producer only. For the purpose of this fiscal note, the 13.5% ratio was applied to the two-thirds (400) of licensees estimated to transition to the new license in order to determine the estimated number of 54 producer only licensees that would transition. The remaining 346 existing licensees estimated to transition to the craft producer/processor license are assumed to be producer/processors. This distinction is important as producer only licenses would be required to pay an additional \$1,381 from their current annual license fee in order to obtain the craft producer/processor license, whereas the license fee will remain unchanged for existing producer/processor licenses that transition to the new license.

CASH RECEIPT IMPACT:

APPLICATION FEES:

FY2022: 1,147 Applications x \$250 = \$286,750
 FY2023: 1,147 Applications x \$250 = \$286,750
 FY2024+: 50 Applications x \$250 = \$12,500

LICENSE FEE REVENUE FROM CRAFT CANNABIS LICENSE:

Producer only licenses transitioning to a craft producer/processor:
 FY2022: 54 licenses x \$1,381 = \$74,574
 FY2023+: 108 licenses x \$1,381 = \$149,148

Producer/Processor licenses transitioning to a craft producer/processor:
 FY2022: 346 licenses x \$2,762 = \$955,652
 FY2023+: 692 licenses x \$2,762 = \$1,911,304

New Licensees:

FY2022: 200 licenses x \$2,762 = \$552,400
 FY2023+: 400 licenses x \$2,762 = \$1,104,800

Total Revenue from Craft Cannabis Licensing Fees:



Ten-Year Analysis

Bill Number	Title	Agency
1260 HB	Marijuana market	195 Liquor and Cannabis Board

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>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

FY2022: \$1,869,376
 FY2023: \$3,452,002
 FY2024+: \$3,177,752

LOST LICENSE FEE REVENUE FROM EXISTING PRODUCERS & PRODUCER/PROCESSORS TRANSITIONING:

Producer only licenses transitioning to a craft producer/processor:

FY2022: 54 licenses x \$1,381 = (\$74,574)
 FY2023+: 108 licenses x \$1,381 = (\$149,148)

Producer/Processor licenses transitioning to a craft producer/processor:

FY2022: 346 licenses x \$2,762 = (\$955,652)
 FY2023+: 692 licenses x \$2,762 = (\$1,911,304)

Total Revenue Lost from Existing Producers & Producers/Processors Transitioning:

FY2022: (\$1,030,226)
 FY2023+: (\$2,060,452)

NET TOTAL CASH RECEIPTS IMPACT:

FY2022: \$839,150
 FY2023: \$1,391,550
 FY2024+: \$1,117,300

EXCISE TAX:

It is assumed this bill could generate additional excise tax as section 1(4) of the bill allows craft cannabis producer/processors to make retail sales from their licensed production facility. The cash receipt impact from the marijuana excise tax is indeterminate as the LCB does not make any assumption as to how much excise tax revenue could be generated.



Ten-Year Analysis

Bill Number 1260 HB	Title Marijuana market	Agency 195 Liquor and Cannabis Board
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Agency Preparation: Thea McNally	Phone: 360-664-4552	Date: 2/11/2021 12:21:23 pm
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 2/11/2021 12:21:23 pm
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 1/26/2021 10:41:30 am