

Multiple Agency Fiscal Note Summary

Bill Number: 1855 HB	Title: Craft cannabis endorsement
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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	211,000	0	0	227,000	0	0	82,000
Office of Administrative Hearings	0	0	46,687	0	0	60,426	0	0	27,478
Liquor and Cannabis Board	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Total \$	0	0	257,687	0	0	287,426	0	0	109,478

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	.8	0	0	211,000	.8	0	0	227,000	.3	0	0	82,000
Office of Administrative Hearings	.2	0	0	46,687	.2	0	0	60,426	.1	0	0	27,478
Liquor and Cannabis Board	5.4	0	0	1,514,052	11.7	0	0	2,924,053	11.3	0	0	2,687,722
Total \$	6.4	0	0	1,771,739	12.7	0	0	3,211,479	11.7	0	0	2,797,200

Agency Name	2021-23			2023-25			2025-27		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total

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
Office of Administrative Hearings	.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

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Revised 1/21/2022
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Individual State Agency Fiscal Note

Bill Number: 1855 HB	Title: Craft cannabis endorsement	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	3,000	208,000	211,000	227,000	82,000
Total \$	3,000	208,000	211,000	227,000	82,000

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.0	1.5	0.8	0.8	0.3
Account					
Legal Services Revolving Account-State 405-1	3,000	208,000	211,000	227,000	82,000
Total \$	3,000	208,000	211,000	227,000	82,000

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: Matt Sterling	Phone: 360-786-7289	Date: 01/10/2022
Agency Preparation: Danielle Hess	Phone: 509-335-2636	Date: 01/13/2022
Agency Approval: Edd Giger	Phone: 360-586-2104	Date: 01/13/2022
OFM Review: Tyler Lentz	Phone: (360) 790-0055	Date: 01/14/2022

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 makes a craft cannabis endorsement available to certain qualified, licensed marijuana producers and processors, for an annual fee. The section also establishes qualifications for the endorsement, including a limitation on indoor production space. An individual or entity that holds a marijuana producer /processor license with a craft cannabis endorsement may not have any ownership interest or role in any other entity or business with a marijuana license. This new endorsement would authorize retail sales of marijuana produced and processed by the licensee from the licensed premises.

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. 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 agencies' 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.

The Attorney General's Office (AGO) Agency Assumptions:

Total workload impact in this request includes standard assumption costs for good & services, travel, and capital outlays for all FTE identified.

Agency administration support FTE are included in the tables below, using a Management Analyst 5 as a representative classification.

For the AGO's Government and Compliance Enforcement (GCE) division:

1. GCE would bill the Liquor and Cannabis Board (LCB) for legal services based on the enactment of this bill.
2. GCE litigates licensing and enforcement actions for the LCB.
3. This bill would create a new craft cannabis endorsement available to qualified and licensed marijuana producers and processors. An individual or entity that holds a marijuana producer /processor license with a craft cannabis endorsement may not have any ownership interest or role in any other entity or business with a marijuana license. This new endorsement would authorize retail sales of marijuana produced and processed by the licensee from the licensed premises.
4. Existing marijuana producer and processor licensees would be permitted to apply for this endorsement after the effective date of the bill.
5. The LCB assumes that 801 of 1086 producers/processors would apply for the new endorsement and that 5% or 40 of

the endorsement applications would be denied and would appeal the denial. The GCE assumes that 25 of the denials would be litigated during Fiscal Year (FY) 2023 and 15 would be litigated during FY 2024. GCE further assumes each endorsement denial would utilize 30 AAG hours and 10 PL hours. Therefore, in FY 2023, GCE assumes that the endorsement denials would generate 750 AAG hours (25 x 30) and 250 PL hours (25 x 10). In FY 2024, GCE assumes that the endorsement denials would generate 450 AAG hours (15 x 30) and 150 PL hours (15 x 10). GCE assumes that after FY 2024, all of the currently licensed producers/processors that want to apply for an endorsement will have done so and that no further litigation will be necessary.

6. The LCB also assumes that beginning in FY 2023 and continuing each FY thereafter, the new endorsement would result in seven new enforcement cases. GCE assumes that the majority of these cases could be resolved on summary judgment, and as a result, each case would utilize 30 AAG hours and 10 PL hours. Therefore, beginning in FY 2023, new enforcement litigation would generate 210 AAG hours (7 x 30) and 70 PL hours (7 x 10).

7. Therefore, as a result of this bill, GCE assumes to see a total increase in AAG and PL hours as follows (non Seattle-rate):

- FY 2023: 960 AAG hours (750 + 210) and 320 PL hours (250 + 70)
- FY 2024: 660 AAG hours (450 + 210) and 220 PL hours (150 + 70)
- FY 2025: 210 AAG hours and 70 PL hours
- FY 2026: 210 AAG hours and 70 PL hours
- FY 2027: 210 AAG hours and 70 PL hours

For the AGO's Licensing and Administrative Law (LAL) division:

8. The AGO will bill the LCB for legal services based on the enactment of this bill.

9. The AGO anticipates that there will be rule challenges, as well as other litigation related to this bill, including potential litigation over statutory conflicts with social equity requirements, and potential challenges by localities regarding the placement of retail outlets in locations not previously zoned for retail, as well as other challenges to the statute and program. This litigation is likely to occur in the early years of the program and is therefore zeroed out past FY 2025. Based on past biennium caseloads and billing, LAL projects the following litigation hours :

- FY 2022: 20 AAG hours
- FY 2023: 100 AAG hours
- FY 2024: 100 AAG hours
- FY 2025: 100 AAG hours

10. The AGO will have to provide initial advice on rule-making, which will take approximately 150 hours of AAG time during FY 2023.

11. The bill will add approximately 800 new cannabis retail applicants in Washington. Of those applicants the GCE projects that 40 will be denied licensure, resulting in 25 denials litigated in FY 2023 and 15 in FY 2024. Also, beginning in FY 2023, GCE projects seven additional enforcement actions each FY thereafter.

12. LAL projects that half of the licensing and enforcement actions brought in FY 2023 will reach the LCB in FY 2024 and half of the actions brought in FY 2024 will reach the LCB in FY 2025. Each of these licensing and enforcement actions will require advice on final orders to the LCB by LAL AAGs. LAL AAGs will have to provide approximately four hours of advice per matter brought before the LCB and each matter will require six hours of preparation (4+6=10 hours). Based on past biennium caseloads and billing, LAL projects the following litigation hours :

- FY 2023: $16 \times 10 = 160$ hours: $(25+7)/2=16$

- FY 2024: 27 x 10 = 270 hours: (16+11)=27: “11” represents half of actions (15+7) in FY2024
- FY 2025: 18 x 10 = 180 hours: (11+7)=18
- FY 2026: 7 x 10 = 70 hours: 7 remain ongoing each FY thereafter

13. Therefore, as a result of this bill, LAL assumes to see a total increase in AAG hours as follows (Seattle-rate):

- FY 2020: 20 AAG hours
- FY 2023: 410 AAG hours (100 + 150 + 160)
- FY 2024: 370 AAG hours (100 + 270)
- FY 2025: 280 AAG hours (100 + 180)
- FY 2026: 70 AAG
- FY 2027: 70 AAG

14. Below is the total AGO’s GCE and LAL divisions and administration support staffing assumptions (Seattle and non-Seattle rates). Please see FTE details in III. C - Operating FTE Detail :

- FY 2022: 0.01 AAG and 0.01 Legal Assistant 3 (LA3)
- FY 2023: 0.76 AAG, 0.18 Paralegal 2 (PL2), 0.38 LA3, and 0.18 Management Analyst 5 (MA5)
- FY 2024: 0.57 AAG, 0.12 PL2, 0.28 LA3, and 0.14 MA5.
- FY 2025: 0.27 AAG, 0.04 PL2, 0.14 LA3, and 0.05 MA5.
- FY 2026: 0.16 AAG, 0.04 PL2, 0.08 LA3, and 0.02 MA5.
- FY 2027: 0.16 AAG, 0.04 PL2, 0.08 LA3, and 0.02 MA5.

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	3,000	208,000	211,000	227,000	82,000
Total \$			3,000	208,000	211,000	227,000	82,000

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.0	1.5	0.8	0.8	0.3
A-Salaries and Wages	2,000	137,000	139,000	149,000	54,000
B-Employee Benefits	1,000	45,000	46,000	49,000	18,000
E-Goods and Other Services		24,000	24,000	27,000	10,000
G-Travel		1,000	1,000	1,000	
J-Capital Outlays		1,000	1,000	1,000	
Total \$	3,000	208,000	211,000	227,000	82,000

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	112,200		0.5	0.3	0.2	0.1
Assistant Attorney General-Seattle	117,810	0.0	0.2	0.1	0.2	0.0
Legal Assistant 3	54,108		0.3	0.1	0.1	0.1
Legal Assistant 3 (Seattle)	66,876	0.0	0.1	0.1	0.1	0.0
Management Analyst 5	88,644		0.2	0.1	0.1	0.0
Paralegal 2	69,264		0.2	0.1	0.1	0.0
Total FTEs		0.0	1.5	0.8	0.8	0.3

III. D - Expenditures By Program (optional)

Program	FY 2022	FY 2023	2021-23	2023-25	2025-27
Government Compliance & Enforcement Division (GCE)		151,000	151,000	137,000	64,000
Licensing & Administrative Law Division (LAL)	3,000	57,000	60,000	90,000	18,000
Total \$	3,000	208,000	211,000	227,000	82,000

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

Bill Number: 1855 HB	Title: Craft cannabis endorsement	Agency: 110-Office of Administrative Hearings
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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
Administrative Hearings Revolving Account-State 484-1		46,687	46,687	60,426	27,478
Total \$		46,687	46,687	60,426	27,478

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.0	0.3	0.2	0.2	0.1
Account					
Administrative Hearings Revolving Account-State 484-1	0	46,687	46,687	60,426	27,478
Total \$	0	46,687	46,687	60,426	27,478

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: Matt Sterling	Phone: 360-786-7289	Date: 01/10/2022
Agency Preparation: Pete Boeckel	Phone: 360-407-2730	Date: 01/20/2022
Agency Approval: Deborah Feinstein	Phone: 360-407-2717	Date: 01/20/2022
OFM Review: Tyler Lentz	Phone: (360) 790-0055	Date: 01/21/2022

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 establishes a craft cannabis endorsement available to qualified marijuana producers and processors which will allow them to act as retailers of their craft product. This will substantially increase the number of marijuana retailers, who will in turn be subject to Liquor & Cannabis Board (LCB) enforcement action.

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.

As a central service agency, OAH bills referring agencies for its costs and collects the revenue into the Administrative Hearings Revolving Account. Cash receipts are assumed to equal costs. OAH will bill the Liquor & Cannabis Board (LCB) for the costs related to this proposed legislation.

These cash receipts represent the OAH's authority to bill and are not a direct appropriation to OAH. Appropriation authority is necessary in OAH's 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.

The LCB estimates that the proposed legislation will result in 20 new licensing appeals (FY 2023 and FY 2024), and seven new enforcement appeals being referred to OAH per fiscal year beginning in FY 2023.

On average, each licensing appeal is expected to take approximately 8.3 hours of line Administrative Law Judge (ALJ) time, and each enforcement appeal is expected to take approximately 20 ALJ hours. This includes prehearing conferences, hearings, order writings, etc.

Office of Administrative Hearings (OAH) Agency Workforce Assumptions:

(1) Ratio of 1.0 FTE line ALJ to 0.15 Senior ALJ, to 0.6 Legal Assistant 2 (LA2) (Range 40 step L), to 0.25 administrative support Management Analyst 5 (MA5) (Range 64 Step L).

(2) ALJ salary is based on the ALJ collective bargaining agreement and assumed to be at step L. (Line ALJ-range 70. Senior ALJ-range 74.)

(3) Benefit rates were analyzed by job class and projected using the latest benefit information available.

(4) Goods and services, travel and on-going capital outlays were projected based on historical data for each of the job classifications.

Total workload impact:

FY 2023 and 2024: 0.17 ALJ at a cost of \$26,710, 0.03 SALJ at a cost of \$5,091, 0.10 LA2 at a cost of \$9,297, 0.04 MA5 at a cost of \$5,589. Total cost: \$46,687 per FY.

FY 2025 and in each FY thereafter: 0.05 ALJ at a cost of \$7,856, 0.01 SALJ at a cost of \$1,697, 0.03 LA2 at a cost of \$2,789, 0.01 MA5 at a cost of \$1,397. Total cost: \$13,739 per FY.

This bill is assumed effective 90 days after the end of the 2020 legislative session.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
484-1	Administrative Hearings Revolving Account	State	0	46,687	46,687	60,426	27,478
Total \$			0	46,687	46,687	60,426	27,478

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		0.3	0.2	0.2	0.1
A-Salaries and Wages		29,330	29,330	37,962	17,264
B-Employee Benefits		9,839	9,839	12,734	5,790
C-Professional Service Contracts					
E-Goods and Other Services		6,800	6,800	8,800	4,000
G-Travel		310	310	402	184
J-Capital Outlays		408	408	528	240
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	0	46,687	46,687	60,426	27,478

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 Law Judge	102,816		0.2	0.1	0.1	0.1
Legal Assistant 2	48,996		0.1	0.1	0.1	0.0
Management Analyst 5	88,644		0.0	0.0	0.0	0.0
Senior Administrative Law Judge	113,484		0.0	0.0	0.0	0.0
Total FTEs			0.3	0.2	0.2	0.1

III. D - Expenditures By Program (optional)

NONE

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

Bill Number: 1855 HB	Title: Craft cannabis endorsement	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 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.0	10.7	5.4	11.7	11.3
Account					
Dedicated Marijuana Account-State 315-1	0	1,514,052	1,514,052	2,924,053	2,687,722
Total \$	0	1,514,052	1,514,052	2,924,053	2,687,722

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: Matt Sterling	Phone: 360-786-7289	Date: 01/10/2022
Agency Preparation: Colin O Neill	Phone: (360) 522-2281	Date: 01/13/2022
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 01/13/2022
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/13/2022

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)(1a) - Establishes a craft cannabis endorsement available to qualified cannabis producers and processors. Requires the Washington State Liquor and Cannabis Board ("Board") to set the fee amount for the endorsement, provided the fee may not exceed \$500 per year.

Section (1)(1b) - Authorizes a cannabis producer and processor with the craft cannabis endorsement to make retail sales of cannabis produced and processed entirely by the licensee to adults age 21 and over from the licensed premise, subject to the same retail sales limits applicable to retailers and the requirement in this section.

Section (1)(1b) - The Board must adopt rules on these retail sales by January 1, 2023.

Section (1)(1c) - If a person/business holds multiple cannabis producer and processor licenses through one business or entity, then retail sales may be made from a single licensed premise but the cannabis products sold at retail may be produced and processed in any of the commonly owned licensed premises.

Section 1(2) - Limits eligibility for the craft cannabis endorsement to producers and processors who utilize not more than a total of 10,000 square feet of indoor production canopy at one licensed premise or at multiple licensed premises. All other cannabis production must be seasonal sungrown production (i.e., outdoor production).

Section 1(3) - Limits eligibility for the endorsement so that an owner of a business or entity with a producer and processor license and a craft cannabis endorsement may not have an ownership interest in, have a management role in, or exercise control over any other separately organized business or entity with a cannabis license issued in Washington State.

Section 1(4) - Includes clarifying language about what the bill does not do (i.e., does not require/authorize an increase in the amount of square feet of production canopy allowed by the Board for any licensee; does not increase the number of facilities licensees may operate; does not grant producers privileges of processors nor processors privileges of producers; and does not require the Board to issue additional producer and processor licenses).

Section 1(5) - Includes definitions of "Indoor production" and "Seasonal sungrown production" for purposes of the new section of law in the bill.

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.

Section (1)(1a) establishes a craft cannabis endorsement available to qualified cannabis producers and processors. Requires the Washington State Liquor and Cannabis Board ("Board") to set the fee amount for the endorsement, provided the fee may not exceed \$500 per year. It is unknown what the amount the Board will determine for the fee, so the cash receipt impact from endorsement fees is indeterminate.

However, for illustrative purposes, the Board assumes that 801 producers (75% of 1,068) may qualify for and receive the endorsement, with half of the applications received in the first year and the remaining half in the second year. If it is assumed that the Board sets the fee at \$500 per year, the cash receipts impact to the Dedicated Marijuana Account could be as follows:

FY23: $\$500 \times 400 = \$200,000$
FY24+: $\$500 \times 801 = \$400,500$

In addition, it is unknown what portion of sales at these craft cannabis endorsed-licensees will be new taxable sales as opposed to shifting existing sales from other currently existing retailers. Cannabis tax revenue is therefore indeterminate.

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 .

LICENSING DIVISION:

The division assumes that 801 producers (75% of 1,068) may qualify for (and receive) the endorsement, with half of the applications received in the first year and the remaining half in the second year. The reason for this assumption is that this endorsement is not specific to tiers and is limited those who utilize less than 10,000 of indoor plant canopy. Tier 3 producers with outdoor production of up to 30,000 sq. ft. could qualify for this endorsement. The division expects interest in this endorsement from large outdoor producers, as it creates a new business opportunity and experience for customers visiting production sites.

Depending on the complexity, the application may be processed by a Customer Service Specialist or a Licensing Specialist Senior. The retail endorsement will most likely require public posting notice and local authority notification. Applications that involve substantial costs and site plan changes to meet retail licensing requirements (security, point of sale, etc.) will need to be processed by a Licensing Specialist Senior.

Additionally, the division would need to track or have information available for indoor vs. outdoor plant canopy utilization for producers and processors to determine eligibility for this endorsement. As a result, the division is estimating a need for 0.3 FTE Data Consultant 1 to update and maintain plant canopy tracking for producers.

0.4 FTE Licensing Specialist Senior - \$32,647/yr ongoing (\$32,219 salary/benefits, \$428 in associated costs).

0.2 FTE Customer Service Specialist 3 - \$14,469/yr ongoing (\$14,255 salary/benefits, \$214 in associated costs).

0.3 FTE Data Consultant 1 - \$24,023/yr ongoing (\$23,192 salary/benefits, \$831 in associated costs).

FINANCE DIVISION:

Audit staff:

Based on the licensee estimates of 801 additional locations where sales of cannabis subject to the cannabis excise tax would take place, the Audit unit would have a significant increase in the amount of licensees requiring an audit. The work would be ongoing. Please see the attached "LCB Audit Unit Fiscal Note Calculator - 1855 HB.pdf" for audit calculations.

The agency would need 5 additional auditors (Revenue Auditor 2), which would also require an additional supervisor (Revenue Auditor 3) and an audit manager (WMS2).

5.0 FTE Revenue Auditor 2 - \$547,865/yr (\$475,965 salary/benefits, \$71,900 in associated costs). Onetime costs in FY23 of \$6,625 for equipment purchases.

1.0 FTE Revenue Auditor 3 - \$118,017/yr (\$103,637 salary/benefits, \$14,380 in associated costs). Onetime costs in FY23 of \$1,325 for equipment purchases.

1.0 FTE WMS Band 2 - \$143,944/yr (\$129,564 salary/benefits, \$14,380 in associated costs). Onetime costs in FY23 of \$1,325 for equipment purchases.

General Accounting:

The applications for the endorsements will be received by the Board's cashier. With 801 applications in FY23-FY24, the unit will have a workload impact of 0.1 FTE Fiscal Analyst 2 (FA2) for those years. Renewals of endorsements are done through the Department of Revenue's Business Licensing Service and there would be no impact to the unit from renewals.

0.1 FTE Fiscal Analyst 2 - \$8,005/yr (\$7,898 salary/benefits, \$107 in associated costs). FY23 /FY24 only.

In addition, the agency estimates in FY23, there will be 3 cash room appointments per month, by producer /processors holding the craft cannabis endorsement to deposit their cannabis excise tax payments. These cash deposits are picked up by armored courier (\$150/pickup). \$150/pickup x 3x per month x 12 months = \$5,400 in FY23. After FY23, the agency anticipates those licensees will open accounts at financial institutions and be able to mail checks for their tax obligations.

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.

Workload impacts from this bill are expected from premise checks, compliance checks, education, investigations, and consultant visits. Please see the attached "1855 HB Craft Cannabis Enforcement Field Increment Calculator.pdf" for workload calculations.

FY23:

1.0 FTE LCB Enforcement Officer 2 - \$119,330 (\$103,470 salary/benefits, \$15,860 in associated costs). Onetime costs of \$26,395 for equipment purchases.

1.0 FTE Administrative Regulations Analyst 3 - \$115,176 (\$99,316 salary/benefits, \$15,860 in associated costs). Onetime costs of \$9,815 for equipment purchases.

FY24+

2.0 FTE LCB Enforcement Officer 2 - \$238,660/yr (\$206,940 salary/benefits, \$31,720 in associated costs). Onetime costs in FY24 of \$26,395 for equipment purchases.

2.0 FTE Administrative Regulations Analyst 3 - \$230,352/yr (\$198,632 salary/benefits, \$31,720 in associated costs). Onetime costs in FY24 of \$9,815 for equipment purchases.

INFORMATION TECHNOLOGY DIVISION:

The agency will have IT costs for development work to add the the craft cannabis endorsement into the iSeries, internal reports, interfaces, and web portal. This analysis also assumes that the new endorsement will be incorporated into one of the agency's existing fee systems and development work for that is included as well.

STAFF COSTS:

0.7 FTE IT App Development - Senior/Specialist - \$105,166 (\$104,417 salary/benefits, \$749 in associated costs). Onetime costs in FY23 of \$1,725 for equipment purchases.

VENDOR COSTS:

iSeries: \$24,000 (160 hours x \$150/hr)

Enforcement Notebook: \$800 (8 hours x \$100/hr)

BOARD DIVISION:

The Washington State Attorney General's Office (AGO) anticipates billing the agency for legal work arising from denials of endorsement applications, as well as appeals of enforcement actions.

FY23: \$208,000

FY24: \$157,000

FY25: \$70,000

FY26+: \$41,000/yr

There may be additional costs from the Office of Administrative Hearings (OAH) that are expected to be relatively minimal but the estimate is not yet available.

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	0	1,514,052	1,514,052	2,924,053	2,687,722
Total \$			0	1,514,052	1,514,052	2,924,053	2,687,722

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		10.7	5.4	11.7	11.3
A-Salaries and Wages		799,486	799,486	1,694,618	1,656,522
B-Employee Benefits		294,447	294,447	635,614	619,338
C-Professional Service Contracts		24,800	24,800		
E-Goods and Other Services		266,227	266,227	329,417	167,038
G-Travel		100,310	100,310	241,260	237,260
J-Capital Outlays		28,782	28,782	23,144	7,564
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	0	1,514,052	1,514,052	2,924,053	2,687,722

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	0.5	2.0	2.0
Customer Service Specialist 3	48,996		0.2	0.1	0.1	
Data Consultant 1	54,108		0.3	0.2	0.3	0.3
Fiscal Analyst 2	55,524		0.1	0.1	0.1	
IT App Development - Senior/Specialist	114,984		0.7	0.4		
LCB Enforcement Officer 2	74,604		1.0	0.5	2.0	2.0
Licensing Specialist Senior	56,856		0.4	0.2	0.2	
Revenue Auditor 2	69,264		5.0	2.5	5.0	5.0
Revenue Auditor 3	76,416		1.0	0.5	1.0	1.0
WMS Band 2	94,572		1.0	0.5	1.0	1.0
Total FTEs			10.7	5.4	11.7	11.3

III. D - Expenditures By Program (optional)

Program	FY 2022	FY 2023	2021-23	2023-25	2025-27
Board Division (010)		208,000	208,000	227,000	82,000
Finance Division (020)		832,506	832,506	1,627,657	1,619,652
Licensing Division (050)		71,139	71,139	95,162	48,046
Enforcement Division (060)		270,716	270,716	974,234	938,024
Information Technology Division (070)		131,691	131,691		
Total \$		1,514,052	1,514,052	2,924,053	2,687,722

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 .

Section (1)(1a) - Establishes a craft cannabis endorsement available to qualified cannabis producers and processors. Requires the Washington State Liquor and Cannabis Board ("Board") to set the fee amount for the endorsement, provided the fee may not exceed \$500 per year.

Section (1)(1b) - Authorizes a cannabis producer and processor with the craft cannabis endorsement to make retail sales of cannabis produced and processed entirely by the licensee to adults age 21 and over from the licensed premise, subject to the same retail sales limits applicable to retailers

and the requirement in this section.

Section (1)(1b) - The Board must adopt rules on these retail sales by January 1, 2023.

LCB AUDIT UNIT FISCAL NOTE CALCULATOR

1855 HB "Craft Cannabis"

# of affected licenses	Average # hours/audit	Audit frequency (in years)	Total budgeted hours/year	FTE calculation	# FTE's needed	FTE Title
801	22	4	4,405.50	4.41	5.00	Auditor (Revenue Analyst 2)
				1.0	1.00	Supervisor (Revenue Analyst 3)
				1.0	1.00	Audit Manager (WMS Band 2)

Notes specific to this bill:

22 hours per audit reflects the low-end budget average for an audit of a cannabis retailer.
 Addition of a third supervisor to existing unit requires a new audit manager.

General Notes:

Each auditor can on average, perform 1,000 hours of audits per year (remaining time spent with meetings, driving, leave, etc)
 1 Audit Supervisor is required for every 4 auditors in the unit.

Low Risk audits: performed every 7 years
 High Risk audits: performed every 4 years

Enforcement Field Increment (FI) Calculator

1855 HB "Craft Cannabis"

Year 1

Event	# of events	Time Factor	Staffing Factor	FI Total	Officer	Consultant
Cannabis Premises Check (Retail/Non-Retail)	400	8	1.3	4,160.0	1,372.8	2,787.2
Cannabis Retailer Compliance Check	800	2	2.0	3,200.0	3,200.0	
License Support and Education (cannabis)	132	10	1.0	1,320.0		1,320.0
Complaint Investigations - Cannabis	4	20	1.3	104.0	104.0	
Consultant Visits	100	9	1.0	900.0		900.0

Total FI's	9,684	4,677	5,007
Total Field Increments per FTE	4,220	4,220	4,220
FTE's required	2.29	1.11	1.19
Round	2.00	1.00	1.00

Factors	Values
Number of retail locations	400
Cannabis Premises Check (Retail/Non-Retail)	100%
Cannabis Retailer Compliance Check	2
License Support and Education (cannabis)	33%
Complaint Investigations - Cannabis	1%
Consultant Visits	25%
Premise checks performed by Officer	33%
Premise checks performed by Consultant	67%

Year 2 and ongoing

Event	# of events	Time Factor	Staffing Factor	FI Total	Officer	Consultant
Cannabis Premises Check (Retail/Non-Retail)	801	8	1.3	8,330.4	2,749.0	5,581.4
Cannabis Retailer Compliance Check	1,602	2	2.0	6,408.0	6,408.0	
License Support and Education (cannabis)	264	10	1.0	2,643.3		2,643.3
Complaint Investigations - Cannabis	8	20	1.3	208.3	208.3	
Consultant Visits	200	9	1.0	1,802.3		1,802.3

Total FI's	19,392	9,365	10,027
Total Field Increments per FTE	4,220	4,220	4,220
FTE's required	4.60	2.22	2.38
Round	4.00	2.00	2.00

Factors	Values
Number of retail locations	801
Cannabis Premises Check (Non-Retail)	100%
Cannabis Retailer Compliance Check	2
License Support and Education (cannabis)	33%
Complaint Investigations - Cannabis	1%
Consultant Visits	25%
Premise checks performed by Officer	33%
Premise checks performed by Consultant	67%

1. Cannabis Premises checks. Current rate for Cannabis retail locations is 3.4 visits per year, producer and processors are visited 1.2 times per year. Retailers are visited 2.1 visits per year more than producer/processors. Due to projected limited business hours and duplication of work by the officers, a planning factor of 1.2 additional visits per year would be need per craft cannabis location. Consultant visits are factored into these premises checks numbers.

2. Current policy is for a cannabis retailer to have two compliance checks per year. Craft cannabis locations would also have two compliance checks per year. This is in line with the agency's task to prevent youth access.

3. Education to businesses is a key part of our partnership with the industry. Education provided to a producer and or processor is similar in nature to that provided to a retailer. The main difference between the two parts of the industry is education on youth access. Retailers receive on average 1.3 educational events per year related to youth access. All craft cannabis retailers could expect some form of education on youth access. Instead of applying this 1.3 rate of youth access to each location, a rate of 1.0 per location is needed in additional officer time for education on youth access. This lower rate reflects that anticipated duplication of effort by the officer who are already conducting education on other topics.

4. Youth access complaints. Current rate - 1.4% of retailers have a complaint lodged against them for youth access/sale to minor. A lower rate of 1% was chosen as a planning factor due to limited sales hours at craft cannabis locations.