

Multiple Agency Fiscal Note Summary

Bill Number: 1667 HB	Title: Cannabis business ownership
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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
Liquor and Cannabis Board	0	0	4,950	0	0	9,900	0	0	9,900
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	4,950	0	0	9,900	0	0	9,900

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
Department of Revenue	.0	0	0	0	.0	0	0	0	.0	0	0	0
Liquor and Cannabis Board	.2	0	0	65,982	.1	0	0	23,868	.1	0	0	23,868
Total \$	0.2	0	0	65,982	0.1	0	0	23,868	0.1	0	0	23,868

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.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

NONE

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Prepared by: Cheri Keller, OFM

Phone:
(360) 584-2207

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Department of Revenue Fiscal Note

Bill Number: 1667 HB	Title: Cannabis business ownership	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

NONE

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:	Phone:	Date: 01/19/2022
Agency Preparation: Van Huynh	Phone: 360-534-1512	Date: 01/24/2022
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 01/24/2022
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/24/2022

Request # 1667-1-1

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.

CURRENT LAW:

RCW 69.50.331 states that no marijuana license of any kind may be issued to :

1. A person under the age of 21 years;
2. A person doing business as a sole proprietor who has not lawfully resided in Washington for at least six months prior to applying for a license;
3. A partnership, employee cooperative, association, nonprofit corporation, or corporation unless formed under state laws, and unless all of the members thereof are qualified to obtain a license; or
4. A person whose place of business is conducted by a manager or agent, unless the manager or agent possesses the same qualifications required of the licensee.

PROPOSAL:

The bill replaces items (2) and (3) above with the provision that a business entity or nonprofit entity may be issued a license if the entity was formed under state laws.

The following provisions are added to RCW 69.50.331 :

- For any marijuana license issued by the Liquor and Cannabis Board (LCB), all natural persons holding an ownership interest of more than 10 percent of the business entity or nonprofit entity licensed or proposed to be licensed must qualify for and be named on the license. If no natural person owns more than 10 percent of the entity, the natural person with the largest ownership interest must qualify for and be named on the license. Any natural person holding an ownership interest of 10 percent or less of the entity is not required to qualify for or be named on the license. However, such person must be disclosed to the LCB.
- The LCB may deny a license or license renewal to an entity if the LCB is unable to investigate a nonresident interest holder in the entity with greater ownership than 10 percent in accordance with the investigatory standards applicable to the investigation of a state resident.
- The LCB must by rule establish an additional application fee for license applicants who are business entities or nonprofit entities. The fee must be in an amount sufficient to offset the additional investigative and administrative costs associated with the licensure of such entities and is in addition to any other application or licensing fee imposed under RCW 69.50 (Uniform Controlled Substances Act). The additional application fee applies to applications to add an owner to an existing license as well as to applications for new producer, processor, and retailer licenses. Nothing requires the LCB to accept applications for new producer, processor, or retailer licenses.

EFFECTIVE DATE:

This bill takes effect July 1, 2022.

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.

This bill does not impact taxes or fees administered by the Department of Revenue.

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

The Department of Revenue will not incur any costs with the implementation of this legislation.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

NONE

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

NONE

III. C - 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

None.

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 1667 HB	Title: Cannabis business ownership	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		4,950	4,950	9,900	9,900
Total \$		4,950	4,950	9,900	9,900

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	0.0	0.3	0.2	0.1	0.1
Account					
Dedicated Marijuana Account-State 315-1	0	65,982	65,982	23,868	23,868
Total \$	0	65,982	65,982	23,868	23,868

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:	Phone:	Date: 01/19/2022
Agency Preparation: Thea McNally	Phone: 360-664-4552	Date: 01/25/2022
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 01/25/2022
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/25/2022

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(1)(b) eliminates the in state residency requirement for license holders.

Section 1(1)(c)(i) states that for any marijuana license issued by the board, all natural persons holding an ownership interest of more than 10 percent of the business entity or nonprofit entity licensed or proposed to be licensed must qualify for and be named on the license. If no natural person owns more than 10 percent of the entity, the natural person with the largest ownership interest must qualify for and be named on the license. Any natural person holding an ownership interest of 10 percent or less of the entity is not required to qualify for or be named on the license.

Section 1(1)(c)(ii) states the identification of any natural person holding an ownership interest of 10 percent or less but more than one percent of the entity, who is not otherwise required to qualify for and be named on the license as provided in (c)(i) of this subsection, must be disclosed to the board.

Section 1(1)(d) states the board may deny a license or license renewal to an entity if the board is unable to investigate a nonresident interest holder in the entity with greater ownership than 10 percent in accordance with the investigatory standards applicable to the investigation of a state resident.

Section 1(1)(e) requires the board to establish by rule an additional application fee for license applicants who are business entities or nonprofit entities. The fee must be in an amount sufficient to offset the additional investigative and administrative costs associated with the licensure of such entities and is in addition to any other application or licensing fee imposed under this chapter. The additional application fee in this subsection (1)(e) applies to applications to add an owner to an existing license as well as to applications for new producer, processor, and retailer licenses. Nothing in this section requires the board to accept applications for new producer, processor, or retailer licenses.

Section 3 sets the effective date of the bill as July 1, 2022.

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.

Sect. 1(1)(e): The board must by rule establish an additional application fee for license applicants who are business entities or nonprofit entities. The fee must be in an amount sufficient to offset the additional investigative and administrative costs associated with the licensure of such entities and is in addition to any other application or licensing fee imposed under this chapter. The additional application fee in this subsection (1)(e) applies to applications to add an owner to an existing license as well as to applications for new producer, processor, and retailer licenses. Nothing in this section requires the board to accept applications for new producer, processor, or retailer licenses.

The Board receives a large number of cannabis license change requests each year for assumptions and changes in entity structure. Section 1 of the bill eliminates the in state residency requirement to be a license holder. Based on the interest that the agency has received from residents of other states and Canada who want to apply to be a cannabis license holder, the agency assumes that the number of change requests received each year is likely to increase by 10% (66) per year. In 2018, the division processed 657 change requests. The fee for a change request is \$75. (66 x \$75 = \$4,950 /yr)

The cash receipt impact from the additional application fee is unknown as the bill does not require the board to accept applications for new licenses, and it is unknown what the additional fee would be for these applications.

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 .

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.

The ongoing workload impacts from this bill are from complaint investigations. Please see the attached "1667 HB Cannabis Business Ownership - Enforcement Field Increment Calculator.pdf" for the workload calculations.

0.1 FTE LCB Enforcement Officer 2 - \$11,934/yr (\$10,348 salary/benefits, \$1,586 in associated costs).

INFORMATION TECHNOLOGY DIVISION

The agency will have one-time IT costs in FY23 to track ownership percentages in systems. The agency would not be able to implement these changes prior to January 1, 2023.

0.2 FTE IT App Development - Senior/Specialist - \$30,048 (\$29,834 salary/benefits, \$214 in associated costs).
iSeries contractor: 160 hrs x \$150/hr = \$24,000

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	65,982	65,982	23,868	23,868
Total \$			0	65,982	65,982	23,868	23,868

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		0.3	0.2	0.1	0.1
A-Salaries and Wages		30,458	30,458	14,922	14,922
B-Employee Benefits		9,724	9,724	5,774	5,774
C-Professional Service Contracts		24,000	24,000		
E-Goods and Other Services		650	650	872	872
G-Travel		1,116	1,116	2,232	2,232
J-Capital Outlays		34	34	68	68
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	0	65,982	65,982	23,868	23,868

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
IT App Development - Senior/Specialist	114,984		0.2	0.1		
LCB Enforcement Officer 2	74,604		0.1	0.1	0.1	0.1
Total FTEs			0.3	0.2	0.1	0.1

III. D - Expenditures By Program (optional)

Program	FY 2022	FY 2023	2021-23	2023-25	2025-27
Enforcement Division (060)		11,934	11,934	23,868	23,868
Information Technology Division (070)		54,048	54,048		
Total \$		65,982	65,982	23,868	23,868

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 .

Sect. 1(1)(e): The board must by rule establish an additional application fee for license applicants who are business entities or nonprofit entities.



Multiple Agency Ten-Year Analysis Summary

Bill Number 1667 HB	Title Cannabis business ownership
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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

Department of Revenue	0	0	0	0	0	0	0	0	0	0	0	0
Liquor and Cannabis Board Indeterminate Impact	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0	0



Ten-Year Analysis

Bill Number 1667 HB	Title Cannabis business ownership	Agency 140 Department of Revenue
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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: Van Huynh	Phone: 360-534-1512	Date: 1/24/2022 10:27:26 am
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 1/24/2022 10:27:26 am
OFM Review:	Phone:	Date:



Ten-Year Analysis

Bill Number 1667 HB	Title Cannabis business 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)

This bill would require that the Washington state Liquor and Cannabis Board ("Board") must by rule establish an additional application fee for cannabis license applicants who are business entities or nonprofit entities. The fee must be in an amount sufficient to offset the additional investigative and administrative costs associated with the licensure of such entities and is in addition to any other application or licensing fee imposed under this chapter. The additional application fee in this bill applies to applications to add an owner to an existing license as well as to applications for new producer, processor, and retailer licenses. Nothing in this bill requires the board to accept applications for new producer, processor, or retailer licenses.

The cash receipt impact from the additional application fee is unknown as the bill does not require the board to accept applications, and it is unknown what the additional fee would be for these applications.

Agency Preparation: Thea McNally	Phone: 360-664-4552	Date: 1/25/2022 4:25:21 pm
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 1/25/2022 4:25:21 pm
OFM Review:	Phone:	Date: