

Multiple Agency Fiscal Note Summary

Bill Number: 2022 HB	Title: Cannabis social equity
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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	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Total \$	0	0	0	0	0	0	0	0	0

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 the Governor	1.5	510,000	510,000	510,000	3.0	950,000	950,000	950,000	3.0	950,000	950,000	950,000
Office of Attorney General	Fiscal note not available											
Department of Commerce	Fiscal note not available											
Department of Revenue	.0	70,400	70,400	70,400	.0	35,200	35,200	35,200	.0	35,200	35,200	35,200
Liquor and Cannabis Board	4.6	0	0	3,003,835	10.0	0	0	5,990,535	14.3	0	0	6,886,616
Total \$	6.1	580,400	580,400	3,584,235	13.0	985,200	985,200	6,975,735	17.3	985,200	985,200	7,871,816

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of the Governor	.0	0	0	.0	0	0	.0	0	0
Office of Attorney General	Fiscal note not available								
Department of Commerce	Fiscal note not available								
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

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Preliminary 1/28/2022
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Individual State Agency Fiscal Note

Bill Number: 2022 HB	Title: Cannabis social equity	Agency: 075-Office of the Governor
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.0	3.0	1.5	3.0	3.0
Account					
General Fund-State 001-1	0	510,000	510,000	950,000	950,000
Total \$	0	510,000	510,000	950,000	950,000

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: 01/19/2022
Agency Preparation: Kathy Cody	Phone: (360) 480-7237	Date: 01/24/2022
Agency Approval: Jamie Langford	Phone: (360) 870-7766	Date: 01/24/2022
OFM Review: Tyler Lentz	Phone: (360) 790-0055	Date: 01/28/2022

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.

Sec. 1 (3)(a) In determining the issuance of a license among social equity applicants, the Office of Equity, and the Department of Commerce, in consultation with community organizations, shall select a third-party contractor to prioritize applicants and the board shall review applications based on the priority set by the third-party contractor. The third-party contractor shall prioritize applicants based on a scoring rubric recommended by the Social Equity in Cannabis Task Force and approved by the Office of Equity.

Sec. 1 (6)(b) The definition of "Disproportionately impacted area" may be further defined in rule by the board after consultation with the Office of Equity and other agencies, commissions, and community members as determined by the board.

The definition of "social equity applicant" may be further defined in rule by the board after consultation with the Office of Equity, agencies, and community members as determined by the board.

Sec. 8 (4) (d) Department of Commerce may contract to establish a roster of mentors who are available to support and advise social equity applicants and current licensees who meet the social equity applicant criteria under 39 RCW 69.50.335. Contractors under this section must be approved through the Office of Equity.

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.

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 Office of Equity assumes it will require 2.0 FTE Equity & Social Justice Capacity Builders to :

Work with the Department of Commerce in consultation with community organizations to select a third-party contractor to prioritize social equity applicants by

- Convening community organizations to provide consultation to the Office of Equity and Department of Commerce.
- Collecting and analyzing community input on needs and concerns to address related to the third-party contractor.
- Use community feedback to develop an equitable review process for third-party contractor qualifications and selection.

Provide consultation on social equity applicant eligibility requirements by :

- Identifying how current social equity applicant eligibility requirements operate as a barrier to access and equity.
- Providing annual consultation to the Board and Department of Commerce to support social equity applicant eligibility requirements that promote access and equity.
- Recommending rule changes to change the definition of "disproportionately impacted area" and "social equity applicant" if needed to remove barriers to access and equity.

Develop and manage an Office of Equity review and approval process :

- for third party contractor's scoring rubric for prioritizing social equity applicants.
- for contractors who will serve as social equity applicant mentors.

The Office of Equity also assumes needing 1.0 FTE AA5 (Equity & Social Justice Administrative Coordinator) who will be the principal assistant for administrative matters related to advancing equity and social justice in service delivery

Tasks include:

- Provide administrative support to convene community meetings including handling stipends, accessibility, and travel logistics (when needed).
- Handles all administrative logistics associated with the Office staffing legislative task forces associated with equity in social cannabis
- Prepares correspondence for supervisor; exercises signature authority on administrative matters
- Supports two Equity & Social Justice Program Specialist/Managers in developing and managing the Office’s review and approval process for prioritizing social equity applicants and determining who will serve as social equity applicant mentors.

The Office of Equity pays OFM an indirect fee of approximately \$30,000 per FTE for administrative support associated with implementing this bill. Support costs include, but are not limited to, IT support, payroll and accounting services, and human resource services.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
001-1	General Fund	State	0	510,000	510,000	950,000	950,000
Total \$			0	510,000	510,000	950,000	950,000

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		3.0	1.5	3.0	3.0
A-Salaries and Wages		272,000	272,000	544,000	544,000
B-Employee Benefits		90,000	90,000	180,000	180,000
C-Professional Service Contracts		15,000	15,000	30,000	30,000
E-Goods and Other Services					
G-Travel		8,000	8,000	16,000	16,000
J-Capital Outlays		35,000	35,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements		90,000	90,000	180,000	180,000
9-					
Total \$	0	510,000	510,000	950,000	950,000

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
AA5. Equity & Social Justice Administrative Coordi	61,224		1.0	0.5	1.0	1.0
Equity & Social Justice Program Specialist/Manager	105,000		2.0	1.0	2.0	2.0
Total FTEs			3.0	1.5	3.0	3.0

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

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

Section 1, Page 3, Line 26: The definition of “Disproportionately impacted area” may be further defined in rule by the board after consultation with the Office of Equity and other agencies, commissions, and community members as determined by the board.

Section 1, Page, 4, Line 17: The definition of “social equity applicant” may be further defined in rule by the board after consultation with the Office of Equity, agencies, and community members as determined by the board.

Department of Revenue Fiscal Note

Bill Number: 2022 HB	Title: Cannabis social equity	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
Account					
GF-STATE-State 001-1	52,800	17,600	70,400	35,200	35,200
Total \$	52,800	17,600	70,400	35,200	35,200

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: 60-786-7127	Date: 01/19/2022
Agency Preparation: Van Huynh	Phone: 60-534-1512	Date: 01/27/2022
Agency Approval: Don Gutmann	Phone: 60-534-1510	Date: 01/27/2022
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/27/2022

Request # 2022-1-1

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:

Under RCW 69.50.335, from December 1, 2020 until July 1, 2029, cannabis retailer licenses that have been subject to forfeiture, revocation, or cancellation by the Liquor and Cannabis Board (LCB), or cannabis retailer licenses that were not previously issued by LCB but could have been issued without exceeding the limit on the statewide number of cannabis retailer licenses established before January 1, 2020, may be issued or reissued to an applicant who meets the cannabis retailer license requirements.

PROPOSAL:

The bill amends RCW 69.50.335 by removing the statewide cap of cannabis retailer licenses described above.

The bill amends RCW 69.50.335 further by adding these new provisions :

- From Calendar Year 2022 through Calendar Year 2029, the LCB shall make available and issue 38 new cannabis retailer licenses per calendar year to applicants who qualify as social equity applicants.
- From Calendar Year 2022 through Calendar Year 2029, the LCB shall make available and issue 25 new marijuana producer and/or processor licenses per calendar year to applicants who qualify as social equity applicants. Applicants for licenses may choose to apply for a producer license, a processor license, or both a producer and processor license.
- The annual fee for issuance, reissuance, or renewal for any license under RCW 69.50.335 will now be waived.

This bill defines "social equity applicant" as:

- An applicant who has at least 51% ownership and control by one or more individuals who have resided in a disproportionately impacted area for at least five years out of the last 60 years ;
- An applicant who has at least 51% ownership and control by at least one individual who is a racial minority that available data shows was disproportionately harmed by the war on drugs as evidenced by rates of arrest for marijuana possession offenses;
- An applicant who has at least 51% ownership and control by at least one individual who has been convicted of a cannabis offense, a drug offense, or is a family member of such an individual; or
- An applicant who meets criteria defined in rule by LCB after consultation with the office of equity, agencies, and community members as determined by the LCB.

EFFECTIVE DATE:

The bill takes effect 90 days after final adjournment of the session in which it is enacted.

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 (Department).

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

ASSUMPTIONS:

This bill creates 38 new cannabis retailer licenses per year, and 25 new cannabis producer and /or processor licenses per

year.

FIRST YEAR COSTS:

The Department will incur total costs of \$52,800 in Fiscal Year 2022. These costs include :

- Object Costs - \$52,800.
- Computer system changes, including contract programming.

SECOND YEAR COSTS:

The Department will incur total costs of \$17,600 in Fiscal Year 2023. These costs include :

- Object Costs - \$17,600.
- Computer system maintenance, including contract programming.

ONGOING COSTS:

Ongoing costs for the 2023-2025 Biennium equal \$35,200 and include similar activities described in the second year costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years					
C-Professional Service Contracts	52,800	17,600	70,400	35,200	35,200
Total \$	\$52,800	\$17,600	\$70,400	\$35,200	\$35,200

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: 2022 HB	Title: Cannabis social equity	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	9.1	4.6	10.0	14.3
Account					
Dedicated Marijuana Account-State 315-1	26,000	2,977,835	3,003,835	5,990,535	6,886,616
Total \$	26,000	2,977,835	3,003,835	5,990,535	6,886,616

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: 01/19/2022
Agency Preparation: Colin O Neill	Phone: (360) 522-2281	Date: 01/27/2022
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 01/27/2022
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/27/2022

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(1b,c) - Requires the LCB to issue 38 new cannabis retailer licenses and 25 new producer and/or processor licenses per calendar year, 2022 through 2029 to applicants who qualify as social equity applicants.

Section 1(1d) - All licenses issued under the social equity program are “mobile” and may be for premises located within any city, county or town in the state that permits the cannabis business activity at the proposed location (regardless of existing caps).

Section 1(2) – In order to be considered for a retail, producer, or processor licenses under the social equity program, the applicant must submit documentation to verify qualification status. This section strikes the existing requirement for a social equity plan.

Section 1(3) - The social equity applications must be prioritized by a third-party contractor and the LCB shall review applications based on that priority.

Section 1(4) – The LCB shall require that licenses awarded via the social equity program may be transferred and sold only to individuals or groups of individuals who qualify as a social equity applicant for a period of at least five years from the date of transfer or sale.

Section 1(5) - The annual fee for issuance, reissuance, or renewal for any license issued to a social equity applicant must be waived.

Section 1(6c) – “social equity applicant” is redefined to mean :

- (i) an applicant who has at least 51% ownership and control by one or more individuals who have resided in a disproportionately impacted area for at least 5 years out of the last 60 years (as opposed to a period of time defined in rule by the LCB);
- (ii) OR an applicant who has at least 51% ownership and control by at least one individual who is a racial minority that available data shows was disproportionately harmed by the war on drugs as evidenced by rates of arrest for marijuana possession offenses.
- (iii-iv) OR other currently existing qualifying criteria

Section 1(6e) – the definition of “Social equity plan” is struck - see changes in Section 1 (2).

Section 2(1,2) - Beginning on the effective date of the bill through Dec 31, 2029, the Board may not issue any new cannabis producer, processor, or retailer licenses except to social equity applicants as listed in Section 1 of the bill.

Section 2(3) - Beginning January 1, 2030, at least 50% of the total number of new cannabis licenses issued must be to social equity applicants.

Section 3(8a) – Until January 1, 2030 (see Sect 10), only those cannabis licenses issued to social equity applicants are not subject to the distance restrictions in 69.50.331 (8a-d), except that those licenses may not be issued for any premises within 500 feet of the perimeter of the grounds of any elementary or secondary school.

Section 4(8a) – Effective January 1, 2030 (see Sect 11), the distance restrictions in 69.50.331 (8) for all cannabis licenses except research licenses are struck; except that such licenses may not be issued for any premises within 500 feet of the perimeter of the grounds of any elementary or secondary school. This eliminates the distance requirements for playgrounds, recreation centers, child care centers, public parks, public transit center, libraries, or game arcades. Local

jurisdictions may still permit the licensing of research premises within 100 feet from an elementary or secondary school.

Section 7(1)(i-k) – makes changes to cannabis revenue distributions to the Department of Commerce to increase the funding for grants, low-interest loans, and technical assistance for cannabis social equity applicants.

Section 10: Section 3 of this act expires January 1, 2030.

Section 11: Section 4 of this act takes effect January 1, 2030.

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.

Indeterminate cash receipt impact. Per Section 1(5) - The annual fee for issuance, reissuance, or renewal for any license issued to a social equity applicant must be waived. The estimated cannabis excise tax revenue from the addition of more retail locations is indeterminate as it is unknown if sales at these new locations will be new sales activity or a shift of sales activity from other existing licensees.

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.

BOARD DIVISION:

Attorney General costs: the Attorney General's Office (AGO) anticipates billing the Board for legal costs incurred from advice on implementation and rulemaking, appeals of denied license applications, and appeals of enforcement action taken for violations.

FY22: \$26,000
FY23: \$1,883,000
FY24: \$2,025,000
FY25: \$1,961,000
FY26: \$1,940,000
FY27: \$1,936,000

Director's Office (rulemaking): The extensive rulemaking particularly driven by Section 1, will require an additional Regulatory Analyst 3 to assist in the development of the rules in FY2023 and FY2024.

FY23-24: 1.0 FTE Regulatory Analyst 3 - \$126,140/yr (\$123,370 salary/benefits, \$2,770 in associated costs). Onetime costs in FY23 of \$6,105 for equipment purchases.

FINANCE DIVISION:

Cannabis Tax Unit:

Beginning in FY24, the cumulative workload from the new licenses is expected to require an additional FA2 in the Cannabis Tax Unit for processing reports and invoices. Beginning in FY2027, the cumulative workload is expected to require another FA2.

Beginning FY24: 1.0 FTE Fiscal Analyst 2 - \$81,743/yr (\$78,973 salary/benefits, \$2,770 in associated costs). Onetime costs in FY24 of \$6,105 for equipment purchases.

Beginning FY27: 2.0 FTE Fiscal Analyst 2 - \$163,486/yr (\$157,946 salary/benefits, \$5,540 in associated costs). Onetime costs in FY27 of \$6,105 for equipment purchases.

Audit Unit:

The increase in retail locations to audit (38 more locations each year) will require an additional Revenue Auditor 2 (RA2) beginning in FY25, and then another beginning in FY27. There will also need to be another Audit Supervisor (Revenue Auditor 3 - RA3) beginning in FY25. Please see the attached "2022 HB Audit Fiscal Note Calculator.pdf" for audit calculations.

FY25-FY26 1.0 FTE Revenue Auditor 2 - \$109,573/yr (\$95,193 salary/benefits, \$14,380 in associated costs). Onetime costs in FY25 of \$1,325 for equipment purchases.

FY27+ 2.0 FTE Revenue Auditor 2 - \$219,146/yr (\$190,386 salary/benefits, \$28,760 in associated costs). Onetime costs in FY27 of \$1,325 for equipment purchases.

FY25+ 1.0 FTE Revenue Auditor 3 - \$118,017/yr (\$103,637 salary/benefits, \$14,380 in associated costs). Onetime costs in FY25 of \$1,325 for equipment purchases.

LICENSING DIVISION:

The bill requires the Office of Equity and Department of Commerce to select a third-party contractor to prioritize applications, including funding for the contract. The LCB is not identified in the selection process.

However, the Board will need a contract for a double blind lottery, if there are ties after prioritization. The agency estimates \$25,000 for a contract each year (ongoing). The contract used for the double blind lottery in 2014 was \$15,000.

1 FTE - Licensing Specialist Senior (ongoing)

The bill requires the Board's Licensing division to issue 38 new cannabis retailer licenses and 25 new producer and /or processor licenses per calendar year, 2022 through 2029 to social equity applicants. Totaling 63 licenses a year. The agency expects an increase in processing times for applications. Additionally, the division will need staffing resources to support outreach and education on the licensing process for potential applicants.

1 FTE - Program Specialist 5 (ongoing)

The division will need a program manager to lead this state wide program, responsible for overseeing licensing education and public outreach, monitoring program contracts, establishing business processes and providing support to applicants. Additionally, this is in alignment with the Social Equity in Cannabis Task Force recommendation to the Board.

2.5 FTE's - Customer Service Specialist 3 (ongoing)

The agency expects an increase in phone calls and questions from applicants and licensees. The division received 7,000 applications during I-502 and 2,000 applications during SB 5052. The agency estimates to receive 5,000 applications, which will require work from Customer Service Staff to receive the applications, forward applications to the third-party contractor and withdraw applications that do not meet requirements.

1 FTE – Program Specialist 3 - Licensing Adjudication Coordinator (ongoing)

The agency expects to receive a significant increase in appeal requests and hearings. Based on adjudications data from SB 5052, the agency estimates approximately 200 appeal requests a year.

FUTURE NEEDS BEYOND THE FISCAL NOTE

In January 2030, the distance requirements are changed for all cannabis licenses and will likely lead to a significant increase in change of location applications. The agency anticipates needing an additional Licensing Specialist Senior at that time.

Total Licensing impact \$541,406 in FY23, \$504,776/yr ongoing (not including the future needs beyond the scope of the fiscal note):

\$25,000 in contract costs annually

1.0 FTE Licensing Specialist Senior - \$83,316/yr (\$80,546 salary/benefits, \$2,770 in associated costs). Onetime costs in FY23 of \$6,105 for equipment purchases.

1.0 FTE Program Specialist 5 - \$113,404/yr (\$110,634 salary/benefits, \$2,770 in associated costs). Onetime costs in FY23 of \$6,105 for equipment purchases.

2.5 FTE Customer Service Specialist 3 - \$185,093/yr (\$178,168 salary/benefits, \$6,925 in associated costs). Onetime costs in FY23 of \$18,315 for equipment purchases.

1.0 FTE Program Specialist 3 - \$97,963/yr (\$95,193 salary/benefits, \$2,770 in associated costs). Onetime costs in FY23 of \$6,105 for equipment purchases.

ENFORCEMENT DIVISION: (\$270,716 in FY24, \$234,506 in FY24-FY25, \$505,222 in FY26, \$672,325 in FY27, \$645,930 in FY28+)

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 workload impacts of this bill are expected from premise checks, compliance checks, education, investigations, consultant visits, and inspections. Please see the attached "2022 HB Cannabis social equity - Enforcement Field Increment Calculator.pdf" for the workload calculations.

FY23-FY25:

1.0 FTE LCB Enforcement Officer 2 - \$119,330/yr (\$103,470 salary/benefits, \$15,860 in associated costs). Onetime costs in FY23 of \$26,395 for equipment purchases.

1.0 FTE Administrative Regulations Analyst 3 - \$115,176/yr (\$99,316 salary/benefits, \$15,860 in associated costs). Onetime costs in FY23 of \$9,815 for equipment purchases.

FY26:

2.0 FTE LCB Enforcement Officer 2 - \$238,660/yr (\$206,940 salary/benefits, \$31,720 in associated costs). Onetime costs in FY26 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 FY26 of \$9,815 for equipment purchases.

FY27+

3.0 FTE LCB Enforcement Officer 2 - \$357,990/yr (\$310,410 salary/benefits, \$47,580 in associated costs). Onetime costs in FY27 of \$26,395 for equipment purchases.

2.5 FTE Administrative Regulations Analyst 3 - \$287,940/yr (\$248,290 salary/benefits, \$39,650 in associated costs).

INFORMATION TECHNOLOGY DIVISION:

The Information Technology division will have one-time costs in FY23 of \$150,468 relating to the implementation of this bill, driven by several requirements:

- The Licensing division will need a system to track social equity licenses. The agency will need new privileges for these licenses to be able to waive the annual fees and for reporting purposes. There are different requirements for social equity licenses that will need to be tracked, including that they may only be transferred to a social equity applicant for 5 years and may locate anywhere in the state.
- The Licensing division will need updates to the agency's current GIS mapping system for the changes in distance requirements and maps will need to be created identifying disproportionately impacted areas. Additionally, a new buffer layer will be needed for the 500 foot restriction.
- The Licensing division will need the ability to track individual demographics including ownership percentages and race. The bill expanded the social equity definition, and the agency will have to track racial minority status to meet the requirement of 51% ownership.

VENDOR COSTS \$58,600:

- ArcGIS - 20 hours x \$270/hr = \$5,400
- iSeries - 300 hours x \$150/hr = \$45,000
- Oracle - 40 hours x \$205/hr = \$8,200

STAFF COSTS:

- 0.6 FTE IT App Development - Senior/Specialist - \$90,143 (\$89,501 salary/benefits, \$642 in associated costs). Onetime costs in FY23 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	26,000	2,977,835	3,003,835	5,990,535	6,886,616
Total \$			26,000	2,977,835	3,003,835	5,990,535	6,886,616

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		9.1	4.6	10.0	14.3
A-Salaries and Wages		640,437	640,437	1,306,488	1,889,526
B-Employee Benefits		239,761	239,761	508,312	733,600
C-Professional Service Contracts		83,600	83,600	50,000	50,000
E-Goods and Other Services	26,000	1,926,847	1,952,847	4,047,555	4,001,470
G-Travel		26,320	26,320	65,780	166,870
J-Capital Outlays		60,870	60,870	12,400	45,150
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	26,000	2,977,835	3,003,835	5,990,535	6,886,616

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	1.0	2.3
Customer Service Specialist 3	48,996		2.5	1.3	2.5	2.5
Fiscal Analyst 2	55,524				1.0	1.5
IT App Development - Senior/Specialist	114,984		0.6	0.3		
LCB Enforcement Officer 2	74,604		1.0	0.5	1.0	2.5
Licensing Specialist Senior	56,856		1.0	0.5	1.0	1.0
Program Specialist 3	69,264		1.0	0.5	1.0	1.0
Program Specialist 5	82,344		1.0	0.5	1.0	1.0
Regulatory Analyst 3	93,132		1.0	0.5	0.5	
Revenue Auditor 2	69,264				0.5	1.5
Revenue Auditor 3	76,416				0.5	1.0
Total FTEs			9.1	4.6	10.0	14.3

III. D - Expenditures By Program (optional)

Program	FY 2022	FY 2023	2021-23	2023-25	2025-27
Board Division (010)	26,000	2,015,245	2,041,245	4,112,140	3,882,105
Finance Division (020)				399,831	817,412
Licensing Division (050)		541,406	541,406	1,009,552	1,009,552
Enforcement Division (060)		270,716	270,716	469,012	1,177,547
Information Technology Division (070)		150,468	150,468		
Total \$	26,000	2,977,835	3,003,835	5,990,535	6,886,616

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 .

Rules will need to be adopted regarding the social equity license application process.

LCB AUDIT UNIT FISCAL NOTE CALCULATOR

2022 HB "Cannabis Social Equity"

# of affected licenses	Average # hours/audit	Audit frequency (in years)	Total budgeted hours/year	FTE calculation	# FTE's needed	FTE Title
304	22	4	1,672.00	1.67	2.00	Auditor (Revenue Auditor 2)
				1.00	1.00	Supervisor (Revenue Auditor 3)
				0.00	0.00	Audit Manager (WMS Band 2)

Added licensees (cumulative)	Fiscal Year	Auditors needed	Supervisor needed
	FY2022		
38	FY2023		
76	FY2024		
114	FY2025	1	1
152	FY2026	1	1
190	FY2027	2	1

Notes specific to this bill:

22 hours per audit reflects the low-end budget average for an audit of a cannabis retailer.

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						
2022 HB "Cannabis Social Equity" - FY2023						
	Number of events	Time Factor	Staffing Factor	FI Total	Officer	Consultant
Cannabis Premises Check (Non-Retail)	31	10	1.3	406.3	268.1	138.1
Cannabis Retailer Compliance Check	78	2	2.0	312.0	312.0	
License Support and Education (cannabis)	16	7	1.0	112.0	56.0	56.0
Complaint Investigations Cannabis	6	60	1.3	499.2	499.2	
Consultant Visits	32	12	1.3	499.2		499.2
Cannabis Premises Check (Retail)	98	5	1.3	633.8	418.3	215.5
Cannabis Retail Final Inspections	62	15	1	936.0		936.0
Cannabis Non-Retail Final Inspections	40	16	1	640.0		640.0
Total FI's				4,038	1,554	2,485
Total Field Increments per FTE				4,220	4,220	4,220
FTE's required				0.96	0.37	0.59
Round				2.00	1.00	1.00

<u>Factors</u>	<u>Values</u>
Cannabis Retailers	39
Cannabis Producer/Processors	25
Cannabis Premises Check (Non-Retail)	100%
Cannabis Retailer Compliance Check	2
License Support and Education (cannabis)	25%
Complaint Investigations Cannabis	10%
Consultant Visits	50%
Cannabis Premises Check (Retail)	2

Note: Final inspections have a 60% recheck rate

Enforcement Field Increment (FI) Calculator						
2022 HB "Cannabis Social Equity" - FY2024						
	Number of events	Time Factor	Staffing Factor	FI Total	Officer	Consultant
Marijuana Premises Check (Non-Retail)	80	10	1.3	1,040.0	686.4	353.6
Marijuana Retailer Compliance Check	82	2	2.0	328.0	328.0	
License Support and Education (cannabis)	80	7	1.0	560.0	280.0	280.0
Complaint Investigations Marijuana	13	60	1.3	998.4	998.4	
Consultant Visits	64	12	1.3	998.4		998.4
Cannabis Premises Check (Retail)	195	5	1	1,267.5	836.6	431.0
Cannabis Retail Final Inspections	62	15	1	936.0		936.0
Cannabis Non-Retail Final Inspections	40	16	1	640.0		640.0
Annual Inspections	64	12	1	768.0	261.1	506.9
Total FI's				7,536	3,390	4,146
Total Field Increments per FTE				4,220	4,220	4,220
FTE's required				1.79	0.80	0.98
Round				2.00	1.00	1.00

Factors	Values
New Cannabis Retailers	39
New Cannabis Producer/Processors	25
Cannabis Retailers added since first year	39
New Cannabis Producer/Processors added since first year	25
Cannabis Premises Check (Non-Retail)	100%
Cannabis Retailer Compliance Check	2
License Support and Education (cannabis)	25%
Complaint Investigations Cannabis	10%
Consultant Visits	50%
Cannabis Premises Check (Retail)	2
Annual Inspections	1

Note: Final inspections have a 60% recheck rate

Enforcement Field Increment (FI) Calculator						
2022 HB "Cannabis Social Equity" - FY2025						
	Number of events	Time Factor	Staffing Factor	FI Total	Officer	Consultant
Cannabis Premises Check (Non-Retail)	129	10	1.3	1,673.8	1,104.7	569.1
Cannabis Retailer Compliance Check	160	2	2.0	640.0	640.0	
License Support and Education (cannabis)	96	7	1.0	672.0	336.0	336.0
Complaint Investigations Cannabis	19	60	1	1,497.6	1,497.6	
Consultant Visits	96	12	1	1,497.6		1,497.6
Cannabis Premises Check (Retail)	293	5	1	1,901.3	1,254.8	646.4
Cannabis Retail Final Inspections	62	15	1	936.0		936.0
Cannabis Non-Retail Final Inspections	40	16	1	640.0		640.0
Annual Inspections	128	12	1	1,536.0	522.2	1,013.8

Total FI's	10,994	5,355	5,639
Total Field Increments per FTE	4,220	4,220	4,220
FTE's required	2.61	1.27	1.34
Round	2.00	1.00	1.00

Factors	Values
New Cannabis Retailers	39
New Cannabis Producer/Processors	25
Cannabis Retailers added since first year	78
New Cannabis Producer/Processors added since first year	50
Cannabis Premises Check (Non-Retail)	100%
Cannabis Retailer Compliance Check	2
License Support and Education (cannabis)	25%
Complaint Investigations Cannabis	10%
Consultant Visits	50%
Cannabis Premises Check (Retail)	2
Annual Inspections	1

Note: Final inspections have a 60% recheck rate

Enforcement Field Increment (FI) Calculator						
2022 HB "Cannabis Social Equity" - FY2026						
	Number of events	Time Factor	Staffing Factor	FI Total	Officer	Consultant
Cannabis Premises Check (Non-Retail)	178	10	1.3	2,307.5	1,523.0	784.6
Cannabis Retailer Compliance Check	238	2	2.0	952.0	952.0	
License Support and Education (cannabis)	112	7	1.0	784.0	392.0	392.0
Complaint Investigations Cannabis	26	60	1.3	1,996.8	1,996.8	
Consultant Visits	128	12	1.3	1,996.8		1,996.8
Cannabis Premises Check (Retail)	390	5	1.3	2,535.0	1,673.1	861.9
Cannabis Retail Final Inspections	62	15	1.0	936.0		936.0
Cannabis Non-Retail Final Inspections	40	16	1	640.0		640.0
Annual Inspections	192	12	1	2,304.0	783.4	1,520.6

Total FI's	14,452	7,320	7,132
Total Field Increments per FTE	4,220	4,220	4,220
FTE's required	3.42	1.73	1.69
Round	4.00	2.00	2.00

Factors	Values
New Cannabis Retailers	39
New Cannabis Producer/Processors	25
Cannabis Retailers added since first year	117
New Cannabis Producer/Processors added since first year	75
Cannabis Premises Check (Non-Retail)	100%
Cannabis Retailer Compliance Check	2
License Support and Education (cannabis)	25%
Complaint Investigations Cannabis	10%
Consultant Visits	50%
Cannabis Premises Check (Retail)	2
Annual Inspections	1

Note: Final inspections have a 60% recheck rate

Enforcement Field Increment (FI) Calculator						
2022 HB "Cannabis Social Equity" - FY2027						
	Number of events	Time Factor	Staffing Factor	FI Total	Officer	Consultant
Cannabis Premises Check (Non-Retail)	226	10	1.3	2,941.3	1,941.2	1,000.0
Cannabis Retailer Compliance Check	316	2	2.0	1,264.0	1,264.0	
License Support and Education (cannabis)	128	7	1.0	896.0	448.0	448.0
Complaint Investigations Cannabis	32	60	1.3	2,496.0	2,496.0	
Consultant Visits	160	12	1.3	2,496.0		2,496.0
Cannabis Premises Check (Retail)	488	5	1.3	3,168.8	2,091.4	1,077.4
Cannabis Retail Final Inspections	62	15	1.0	936.0		936.0
Cannabis Non-Retail Final Inspections	40	16	1	640.0		640.0
Annual Inspections	256	12	1	3,072.0	1,044.5	2,027.5

Total FI's	17,910	9,285	8,625
Total Field Increments per FTE	4,220	4,220	4,220
FTE's required	4.24	2.20	2.04
Round	5.50	3.00	2.50

Factors	Values
New Cannabis Retailers	39
New Cannabis Producer/Processors	25
Cannabis Retailers added since first year	156
New Cannabis Producer/Processors added since first year	100
Cannabis Premises Check (Non-Retail)	100%
Cannabis Retailer Compliance Check	2
License Support and Education (cannabis)	25%
Complaint Investigations Cannabis	10%
Consultant Visits	50%
Cannabis Premises Check (Retail)	2
Annual Inspections	1

Note: Final inspections have a 60% recheck rate