

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 2022 S HB	<b>Title:</b> 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
Office of Attorney General	0	0	1,841,000	0	0	3,883,000	0	0	3,876,000
Liquor and Cannabis Board	Non-zero but indeterminate cost and/or savings. Please see discussion.								
<b>Total \$</b>	<b>0</b>	<b>0</b>	<b>1,841,000</b>	<b>0</b>	<b>0</b>	<b>3,883,000</b>	<b>0</b>	<b>0</b>	<b>3,876,000</b>

## 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	Fiscal note not available											
Office of Attorney General	6.6	0	0	1,841,000	13.9	0	0	3,883,000	13.9	0	0	3,876,000
Department of Commerce	1.5	0	0	21,791,000	3.0	0	0	43,582,000	3.0	0	0	43,582,000
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	3,911,835	10.0	0	0	7,861,535	14.3	0	0	8,860,616
<b>Total \$</b>	<b>12.7</b>	<b>70,400</b>	<b>70,400</b>	<b>27,614,235</b>	<b>26.9</b>	<b>35,200</b>	<b>35,200</b>	<b>55,361,735</b>	<b>31.2</b>	<b>35,200</b>	<b>35,200</b>	<b>56,353,816</b>

## 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	Fiscal note not available								
Office of Attorney General	.0	0	0	.0	0	0	.0	0	0
Department of Commerce	.0	0	0	.0	0	0	.0	0	0
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
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Breakout

<b>Prepared by:</b> Cheri Keller, OFM	<b>Phone:</b> (360) 584-2207	<b>Date Published:</b> Final 2/24/2022
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2022 S HB	<b>Title:</b> Cannabis social equity	<b>Agency:</b> 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	26,000	1,815,000	1,841,000	3,883,000	3,876,000
<b>Total \$</b>	26,000	1,815,000	1,841,000	3,883,000	3,876,000

### Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.2	13.0	6.6	13.9	13.9
<b>Account</b>					
Legal Services Revolving Account-State 405-1	26,000	1,815,000	1,841,000	3,883,000	3,876,000
<b>Total \$</b>	26,000	1,815,000	1,841,000	3,883,000	3,876,000

### 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: 02/04/2022
Agency Preparation: Cam Comfort	Phone: (360) 664-9429	Date: 02/08/2022
Agency Approval: Edd Giger	Phone: 360-586-2104	Date: 02/08/2022
OFM Review: Tyler Lentz	Phone: (360) 790-0055	Date: 02/08/2022

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 .

This bill is related to social equity in the cannabis industry

Section 1 amends RCW 69.50.335 to require the Liquor and Cannabis Board (LCB), beginning in calendar year 2022 and each calendar year through 2029, to issue 38 new cannabis retailer licenses per calendar year and 25 new marijuana producer and/or processor licensees per calendar year to applicants who qualify as social equity applicants. LCB, in consultation with the Office of Equity and community organizations, must select a third-party contractor to prioritize applicants, and LCB must review applications based on the third-party contractor’s prioritization. The definition of the term “social equity applicant” is revised.

Section 2 adds a new section to RCW 69.50 regarding the issuance of new cannabis, processor, and retailer licenses through December 31, 2029, and beginning January 1, 2030.

Sections 3 and 4 amend versions of RCW 69.50.345 to provide an exception to the maximum number of retail outlets that may be licensed related to the cannabis social equity program.

Section 5 amends RCW 69.50.540 to provide the Department of Commerce (Commerce) \$32,500,000 annually for cannabis social equity grants and low-interest loans, and \$1,100,000 annually for technical assistance to cannabis license applicants and licensees within the cannabis equity program.

Section 6 amends RCW 43.330.540 to reference the cannabis equity grant, low-interest loan, and technical assistance program and provide criteria for cannabis social equity grants and low-interest loans.

Section 7 is a severance clause.

Section 8 provides that Section 3 expires July 1, 2024.

Section 9 provides that Section 4 takes effect July 1, 2024.

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 agencies are the Liquor and Cannabis Board (LCB) and the Department of Commerce (Commerce). 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.

The AGO will bill the LCB and the COM based on the below workload assumptions :

The AGO’s Licensing and Administrative Law (LAL) division and administration support total FTE assumptions (Seattle rate) for LCB:

- Fiscal Year (FY) 2022: \$20,000 / 0.08 AAG (150 hours) and 0.04 LA3.
- FY 2023: \$376,000 / 1.41 AAG (2,540 hours), 0.06 Paralegal 2 (PL2) (100 hours) and 0.71 LA3.
- FY 2024: \$356,000 / 1.34 AAG (2,410 hours), 0.06 PL2 (100 hours) and 0.67 LA3.
- FY 2025: \$324,000 / 1.24 AAG (2,230 hours), 0.01 PL2 (25 hours) and 0.62 LA3.
- FY 2026: \$328,000 / 1.25 AAG (2,250 hours), 0.01 PL2 (25 hours) and 0.63 LA3.
- FY 2027: \$315,000 / 1.21 AAG (2,170) and 0.60 LA3, and each FY thereafter.

The AGO's Government Compliance and Enforcement (GCE) division and administration support total FTE assumptions (non-Seattle rate) for LCB:

- FY 2022: \$6,000 / 0.03 AAG (50 hours) and 0.01 LA3.
- FY 2023: \$1,425,000 / 5.00 AAG (8,995 hours), 1.65 PL2 (2,973 hours) and 2.50 LA3.
- FY 2024: \$1,597,000 / 5.68 AAG (10,230 hours), 1.66 PL2 (2,993 hours) and 2.84 LA3.
- FY 2025: \$1,600,000 / 5.69 AAG (10,240 hours), 1.67 PL2 (3,013 hours) and 2.84 LA3.
- FY 2026: \$1,609,000 / 5.72 AAG (10,300 hours), 1.69 PL2 (3,033 hours) and 2.86 LA3.
- FY 2027: \$1,618,000 / 5.76 AAG (10,360 hours), 1.70 PL2 (3,053 hours) and 2.88 LA3, and each FY thereafter.

The AGO's Agriculture and Health Division (AHD) and administration support total FTE assumptions (non-Seattle rate) for Commerce:

- FY 2023: \$14,000 / 0.06 AAG (100 hours) and 0.03 LA3.
- FY 2024: \$3,000 / 0.02 AAG (30 hours) and 0.01 LA3.
- FY 2025: \$3,000 / 0.02 AAG (30 hours) and 0.01 LA3.
- FY 2026: \$3,000 / 0.02 AAG (30 hours) and 0.01 LA3.
- FY 2027: \$3,000 / 0.02 AAG (30 hours) and 0.01 LA3, and each FY thereafter.

## 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:

Agency administration support FTE are included in the tables, for every one Assistant Attorney General (AAG) FTE, the AGO includes a 0.5 Legal Assistant 3 (LA 3) FTE and a 0.25 Management Analyst 5 (MA 5) FTE. The MA 5 is used as a representative classification.

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

The enactment of this bill will not impact the provision of legal services provided by the AGO's Solicitor General's Office (SGO). Any legal advice to the DOH would be nominal below 90 AAG hours per Fiscal Year (FY). Therefore, costs are not included in this request.

The AGO's Licensing and Administrative Law (LAL) division assumptions:

LAL will bill the Liquor and Cannabis Board (LCB) for legal services based on the enactment of this bill. LAL will be required to provide advice on implementation of this 2022 starting in FY 2022. LAL will be required to provide advice on implementation of this bill and rule-making in FY 2023. LAL would be required to defend multiple actions challenging the implementation of this bill, as well as related challenges stemming from changes in statutes. LAL advises LCB on final orders of administrative regulatory actions. LCB projects that approximately 5,000 potential licensees will apply for the available licenses each FY, and approximately 200 license applicants (from 5,000) will appeal the denial of the application

for a license each FY. Additionally, beginning in calendar year (CY) 2022, LCB will issue as many as 63 new licenses each year, increasing the total number of licensees, which will require legal assistance and enforcement actions.

The LAL division and administration support total FTE assumptions (Seattle rate):

- FY 2022: \$20,000 / 0.08 AAG (150 hours) and 0.04 LA3.
- FY 2023: \$376,000 / 1.41 AAG (2,540 hours), 0.06 Paralegal 2 (PL 2) (100 hours) and 0.71 LA3.
- FY 2024: \$356,000 / 1.34 AAG (2,410 hours), 0.06 PL 2 (100 hours) and 0.67 LA3.
- FY 2025: \$324,000 / 1.24 AAG (2,230 hours), 0.01 PL 2 (25 hours) and 0.62 LA3.
- FY 2026: \$328,000 / 1.25 AAG (2,250 hours), 0.01 PL 2 (25 hours) and 0.63 LA3.
- FY 2027: \$315,000 / 1.21 AAG (2,170) and 0.60 LA3, and each FY thereafter.

The AGO's Government Compliance and Enforcement (GCE) division assumptions:

GCE would bill the LCB for legal services based on the enactment of this bill.

GCE litigates licensing and enforcement actions for LCB. Beginning in CY 2022 and each CY through 2029, section 1 of this bill would require LCB to accept applications for and issue 38 new cannabis retailer licenses and 25 new producer/processor licenses, for an annual total of 63 new licenses, to applicants who qualify as social equity applicants per the definition in the bill. LCB may adopt rules to implement the provisions in section 1. GCE assumes to provide input and advice during rulemaking in FY 2022, FY 2023 and FY 2024. Beginning in FY 2023, LCB assumes to receive approximately 5,000 applications each FY for the 63 new retail and producer/processor licenses authorized by this bill. LCB further assumes that 200 of the license denials would be appealed and referred to GCE for litigation. Additionally, the GCE assumes that litigation of the license denials from FY 2022 would occur in FY 2023 and that there would be a similar lag for litigation of denials each FY thereafter.

Beginning in FY 2023 and continuing each FY thereafter, GCE assumes that approximately 30 percent of the 200 new licensing appeals, or 60 cases, would resolve by default. GCE also assumes that approximately 30 percent or 60 cases would be resolved on summary judgment. Finally, GCE assumes that the remaining 80 cases would proceed to an administrative hearing, and that denials based on social equity factors would be more complex and labor intensive than most license denials.

Based on current workloads and PL 2 utilization, GCE assumes to utilize PL 2 services for these new administrative hearings at a ratio of one PL 2 for three AAG hours.

GCE assumes that beginning in FY 2024 and continuing each FY thereafter, 10 license denials will be challenged on judicial review. As a result of the Senate Bill 5225 (from 2021), GCE assumes that these judicial reviews of license denials will be certified to the Court of Appeals with more stringent requirements for litigation.

Based on GCE's past experience with cannabis retail and producer/processor licensees, GCE assumes to receive approximately two enforcement litigation referrals each FY per 63 new licenses. Beginning in FY 2023, GCE assumes to receive four new enforcement litigation referrals, in FY 2024 six referrals, in FY 2025 eight referrals, in FY 2026 10 new referrals, and in FY 2027 12 new referrals. Judicial reviews of enforcement cases are uncommon, so GCE does not anticipate any new work after the administrative hearing stage.

GCE division and administration support total FTE assumptions (non-Seattle rate):

- FY 2022: \$6,000 / 0.03 AAG (50 hours) and 0.01 LA3.
- FY 2023: \$1,425,000 / 5.00 AAG (8,995 hours), 1.65 PL 2 (2,973 hours) and 2.50 LA3.
- FY 2024: \$1,597,000 / 5.68 AAG (10,230 hours), 1.66 PL 2 (2,993 hours) and 2.84 LA3.
- FY 2025: \$1,600,000 / 5.69 AAG (10,240 hours), 1.67 PL 2 (3,013 hours) and 2.84 LA3.

- FY 2026: \$1,609,000 / 5.72 AAG (10,300 hours), 1.69 PL 2 (3,033 hours) and 2.86 LA3.
- FY 2027: \$1,618,000 / 5.76 AAG (10,360 hours), 1.70 PL 2 (3,053 hours) and 2.88 LA3, and each FY thereafter.

The AGO's Agriculture and Health Division (AHD) assumptions:

AHD will bill the Department of Commerce (Commerce) for legal services based on the enactment of this bill.

If this legislation is enacted, AHD will be required to provide advice and guidance to implement the new grant, loan, and technical assistance program created under the bill. The legal services assistance is assumed to be ongoing each FY thereafter.

The AHD division and administration support total FTE assumptions (non-Seattle rate):

- FY 2023: \$14,000 / 0.06 AAG (100 hours) and 0.03 LA3.
- FY 2024: \$3,000 / 0.02 AAG (30 hours) and 0.01 LA3.
- FY 2025: \$3,000 / 0.02 AAG (30 hours) and 0.01 LA3.
- FY 2026: \$3,000 / 0.02 AAG (30 hours) and 0.01 LA3.
- FY 2027: \$3,000 / 0.02 AAG (30 hours) and 0.01 LA3, and each FY thereafter.

LAL, GCE, and AHD divisions and administrative support total assumptions (Seattle and non-Seattle rates):

- FY 2022: \$26,000 / 0.11 AAG (200 hours) and 0.05 LA3.
- FY 2023: \$1,815,000 / 6.47 AAG (11,635 hours), 1.71 PL 2 (3,073), and 3.24 LA3.
- FY 2024: \$1,956,000 / 7.04 AAG (12,670 hours), 1.72 PL 2 (3,093), and 3.52 LA3.
- FY 2025: \$1,927,000 / 6.94 AAG (12,500 hours), 1.69 PL 2 (3,038), and 3.47 LA3.
- FY 2026: \$1,940,000 / 6.99 AAG (12,580 hours), 1.70 PL 2 (3,058), and 3.50 LA3.
- FY 2027: \$1,936,000 / 6.99 AAG (12,560 hours), 1.70 PL 2 (3,053 hours), and 3.49 LA3, and each FY thereafter.

## 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	26,000	1,815,000	1,841,000	3,883,000	3,876,000
<b>Total \$</b>			26,000	1,815,000	1,841,000	3,883,000	3,876,000

### III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.2	13.0	6.6	13.9	13.9
A-Salaries and Wages	18,000	1,178,000	1,196,000	2,521,000	2,517,000
B-Employee Benefits	5,000	393,000	398,000	842,000	841,000
C-Professional Service Contracts					
E-Goods and Other Services	3,000	217,000	220,000	462,000	460,000
G-Travel		13,000	13,000	28,000	28,000
J-Capital Outlays		14,000	14,000	30,000	30,000
<b>Total \$</b>	26,000	1,815,000	1,841,000	3,883,000	3,876,000

**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	0.0	5.1	2.6	5.7	5.8
Assistant Attorney General-Seattle	117,816	0.1	1.4	0.8	1.3	1.2
Legal Assistant 3	54,108	0.0	2.5	1.3	2.9	2.9
Legal Assistant 3-Seattle	66,876	0.0	0.7	0.4	0.7	0.6
Management Analyst 5	88,644	0.0	1.6	0.8	1.7	1.7
Paralegal 2	69,264		1.7	0.8	1.7	1.7
Paralegal 2-Seattle	72,732		0.1	0.0	0.0	0.0
<b>Total FTEs</b>		0.2	13.0	6.6	14.0	13.9

**III. D - Expenditures By Program (optional)**

Program	FY 2022	FY 2023	2021-23	2023-25	2025-27
Agriculture & Health Division (AHD)		14,000	14,000	6,000	6,000
Government Compliance & Enforcement Division (GCE)	6,000	1,425,000	1,431,000	3,197,000	3,227,000
Licensing & Administrative Law Division (LAL)	20,000	376,000	396,000	680,000	643,000
<b>Total \$</b>	26,000	1,815,000	1,841,000	3,883,000	3,876,000

**Part IV: Capital Budget Impact**

**IV. A - Capital Budget Expenditures**

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

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

NONE

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

NONE

**Part V: New Rule Making Required**



# Individual State Agency Fiscal Note

Revised

<b>Bill Number:</b> 2022 S HB	<b>Title:</b> Cannabis social equity	<b>Agency:</b> 103-Department of Commerce
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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
<b>Account</b>					
Dedicated Marijuana Account-State 315-1	0	21,791,000	21,791,000	43,582,000	43,582,000
<b>Total \$</b>	0	21,791,000	21,791,000	43,582,000	43,582,000

### 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: 02/04/2022
Agency Preparation: Karen McArthur	Phone: 360-725-4027	Date: 02/06/2022
Agency Approval: Joyce Miller	Phone: 360-725-2710	Date: 02/06/2022
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 02/07/2022

## 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.*

Differences between SHB 2022 and the original bill :

SHB 2022 combines the \$7,500,000 for low interest loans and the \$15,000,000 for cannabis social equity grants into \$22,500,000 annually.

Summary of SHB 2022:

Sec 5 (1)(i): Increases allocation from \$1,650,000 to \$22,500,000 annually to the department to fund cannabis social equity grants and low-interest loans.

Sec 5 (1)(j): Increases allocation from \$159,000 to \$1,100,000 annually to Department of Commerce to make available technical assistance to cannabis license applicants and licensees. Establishes a roster of mentors to provide technical assistance.

### 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.*

To complete the requirements of Section 5 the department requires :

0.25 FTE Washington Management Services 2 (525 hours) in FY23-FY27 to oversee and help build out low interest loan program with the added funding.

1.0 FTE Commerce Specialist 4 (2,088 hours) in FY23-FY27 to manage and develop low interest loan and technical assistance program while continuing to strengthen roster of mentors.

1.0 FTE Commerce Specialist 2 (2,088 hours) in FY23-FY27 to provide assistance with in-take of applications and technical assistance.

0.25 FTE Administrative Assistant 3 (525 hours) in FY23-FY27 to provide technical assistance and assist in maintaining program.

Salaries and Benefits:

FY23-FY27: \$264,139 per fiscal year

Professional Service Contracts:

The department will contract with third-party organization to run in-take and review of grant applications as well as loan applications. Contracted services also include financial institution partnerships to facilitate loan program.

FY23: \$990,590

FY24-FY27: \$988,065 per fiscal year

Goods and Services:

The department assumes \$21,000 in FY23, for 100 hours of AAG consultation on guidance development. The department assumes 30 hours in FY24-FY27 at \$210 per hour for attorney general costs.

FY23: \$52,313

FY24-FY27: \$37,613 per fiscal year

Travel:

Travel includes stakeholder outreach and collaboration with state agencies and financial institutions.

FY23-FY27: \$3,000 per fiscal year

Equipment:

The department assumes the purchase of two new laptops and two sets of dual monitors.

FY23: \$3,492

Grants, Benefits & Client Services:

FY23: \$20,387,659

FY24-FY27: \$20,408,376 per fiscal year

Intra-agency Reimbursements:

FY23-FY27: \$89,807 per fiscal year

Note: Standard goods and services costs include supplies and materials, employee development and training, Attorney General costs, central services charges and agency administration. Agency administration costs (e.g., payroll, HR, IT) are funded under a federally approved cost allocation plan.

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Total Costs:

FY23-FY27: \$21,791,000 per fiscal year

## 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	21,791,000	21,791,000	43,582,000	43,582,000
Total \$			0	21,791,000	21,791,000	43,582,000	43,582,000

### 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		193,148	193,148	386,296	386,296
B-Employee Benefits		70,991	70,991	141,982	141,982
C-Professional Service Contracts		990,590	990,590	1,976,130	1,976,130
E-Goods and Other Services		52,313	52,313	75,226	75,226
G-Travel		3,000	3,000	6,000	6,000
J-Capital Outlays		3,492	3,492		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services		20,387,659	20,387,659	40,816,752	40,816,752
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements		89,807	89,807	179,614	179,614
9-					
<b>Total \$</b>	0	21,791,000	21,791,000	43,582,000	43,582,000

### 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
Administrative Assistant 3	50,588		0.3	0.2	0.3	0.3
Administrative Services - Indirect	69,552		0.4	0.2	0.4	0.4
Commerce Specialist 2	68,071		1.0	0.5	1.0	1.0
Commerce Specialist 4	82,901		1.0	0.5	1.0	1.0
WMS Band 2	118,114		0.3	0.2	0.3	0.3
<b>Total FTEs</b>			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

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 2022 S HB	<b>Title:</b> Cannabis social equity	<b>Agency:</b> 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
<b>Account</b>					
GF-STATE-State 001-1	52,800	17,600	70,400	35,200	35,200
<b>Total \$</b>	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: (360) 786-7127	Date: 02/04/2022
Agency Preparation: Van Huynh	Phone: (360) 534-1512	Date: 02/04/2022
Agency Approval: Don Gutmann	Phone: (360) 534-1510	Date: 02/04/2022
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/04/2022

Request # 2022-2-1

## 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.*

Note: This fiscal note reflects language in SHB 2022, 2022 Legislative Session.

#### 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 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 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 six months out of the last 60 years ;
- An applicant who has at least 51% ownership and control by at least one individual who 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:

Request # 2022-2-1

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
<b>Total \$</b>	<b>\$52,800</b>	<b>\$17,600</b>	<b>\$70,400</b>	<b>\$35,200</b>	<b>\$35,200</b>

**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

<b>Bill Number:</b> 2022 S HB	<b>Title:</b> Cannabis social equity	<b>Agency:</b> 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.
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### 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
<b>Account</b>					
Dedicated Marijuana Account-State 315-1	26,000	3,885,835	3,911,835	7,861,535	8,860,616
<b>Total \$</b>	26,000	3,885,835	3,911,835	7,861,535	8,860,616

### 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: 02/04/2022
Agency Preparation: Colin O'Neill	Phone: (360) 522-2281	Date: 02/09/2022
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 02/09/2022
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/09/2022

## 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 make available 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 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 6 months 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 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 5(1)(i-j) – 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.

#### CHANGES MADE BY THE SUBSTITUTE BILL:

Section 1(1c) - Eliminates the requirement that the Liquor and Cannabis Board (LCB) must "issue" each of the new cannabis licenses in each calendar year beginning in 2022 through 2029, while retaining the requirement that the LCB must "make available" the licenses each calendar year beginning in 2022 through 2029.

Section 1(1d) Eliminates a reference to the word "mobile" while retaining the authorization for cannabis licenses issued under the social equity program to be for premises located within any city, county, or town in the state that permits the

cannabis business activity at the proposed location.

Old Section 1(1e), Old Sections 3 & 4 – DELETED. Restores current law by eliminating all proposed changes to distance requirements in cannabis licensing.

Section 1(3a) Modifies proposed changes to the prioritization process for cannabis licenses under the social equity program so that the LCB, in consultation with the Office of Equity and community organizations, must select a third-party contractor to prioritize applicants based on a scoring rubric developed by the LCB with input from the Social Equity in Cannabis Task Force and approved by the Office of Equity.

Section 1(6c) Modifies proposed changes to the definition of "social equity applicant" so that:

- i) For applicants qualifying based on living in a disproportionately impacted area, the time period applicants must reside in the area is at least six months out of the last 60 years instead of at least five years out of the last 60 years; and
- ii) for applicants qualifying based on being disproportionately harmed by the war on drugs as evidenced by rates of arrest for cannabis possession offenses, the express requirement that an applicant be a racial minority is eliminated.

Section 5(1) Modifies proposed changes to the cannabis social equity grant, low-interest loan, and technical assistance program administered by the Department of Commerce as follows:

- i) Combines the proposed annual \$15 million for grants and \$7.5 million for low-interest loans to \$22.5 million annually for grants and low-interest loans;
- j) Limits grants and loans to licensees under the social equity program, so applicants are not eligible for grants and loans but remain eligible for technical assistance;

Section 6 specifies the Department of Commerce:

- "May" instead of "must" award grants and loans to licensees under the social equity program;
- Adds eligible activities for grants, limits grants to \$100,000 per eligible applicant, and specifies eligible applicants may apply for one grant annually and three total grant awards;
- Specifies eligible business-related expenses for which loans are available; and
- Authorizes the Department of Commerce to work with participating lenders to make loans and to reserve a portion of funds allocated or received in order to support loan loss reserves and reduce underwriting risk.

## **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: \$1,801,000  
FY24: \$1,953,000  
FY25: \$1,924,000  
FY26: \$1,937,000  
FY27: \$1,933,000

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 SHB 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 Board, in consultation with the Office of Equity and community organizations, to select a third-party contractor to prioritize applications, including funding for the contract. The original version of the bill (2022 HB) put the responsibility for the third-party contractor on the Department of Commerce. With the shift in responsibility to the Board for the third-party contractor in this version, the Board now will need additional funding for the third-party contractor to review and prioritize social equity applicants. The Board estimates this will cost \$990,000 a year ongoing.

This estimate is in alignment with what the Department of Commerce provided in their fiscal note for 2022 HB. In addition, Board staff reached out to other jurisdictions that used a third-party contractor to review social equity applications. For example, the City of Sacramento paid \$90,000 for their contract and Illinois paid \$4.2 million. In reaching the Board's estimate, the agency used information from Sacramento and Illinois, and incorporated population and demographics of Washington, to arrive at the estimate of \$990,000 per year.

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.

Total Licensing impact \$1,531,406 in FY23, \$1,494,776/yr ongoing (not including the future needs beyond the scope of the fiscal note):

\$1,015,000 in contract costs annually (\$990k for third party contractor, \$25k for double-blind lottery )

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 SHB 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:

Note: the division will not be able to implement by July 1, 2022 (recommend not prior to January 1, 2023).

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 the ability to track individual demographics including ownership percentages.

#### 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	3,885,835	3,911,835	7,861,535	8,860,616
<b>Total \$</b>			26,000	3,885,835	3,911,835	7,861,535	8,860,616

### 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		1,073,600	1,073,600	2,030,000	2,030,000
E-Goods and Other Services	26,000	1,844,847	1,870,847	3,938,555	3,995,470
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-					
<b>Total \$</b>	26,000	3,885,835	3,911,835	7,861,535	8,860,616

### 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
<b>Total FTEs</b>			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	1,933,245	1,959,245	4,003,140	3,876,105
Finance Division (020)				399,831	817,412
Licensing Division (050)		1,531,406	1,531,406	2,989,552	2,989,552
Enforcement Division (060)		270,716	270,716	469,012	1,177,547
Information Technology Division (070)		150,468	150,468		
<b>Total \$</b>	26,000	3,885,835	3,911,835	7,861,535	8,860,616

## 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 SHB "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 SHB "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 SHB "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
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 SHB "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

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

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

Note: Final inspections have a 60% recheck rate

Enforcement Field Increment (FI) Calculator						
2022 SHB "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

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

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

Note: Final inspections have a 60% recheck rate

Enforcement Field Increment (FI) Calculator						
2022 SHB "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

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

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

Note: Final inspections have a 60% recheck rate