

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5080 SB	<b>Title:</b> Cannabis social equity
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## Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Office of Attorney General	0	0	3,622,000	0	0	3,577,000	0	0	3,558,000
<b>Total \$</b>	<b>0</b>	<b>0</b>	<b>3,622,000</b>	<b>0</b>	<b>0</b>	<b>3,577,000</b>	<b>0</b>	<b>0</b>	<b>3,558,000</b>

## Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of Attorney General	12.6	0	0	3,622,000	12.4	0	0	3,577,000	12.4	0	0	3,558,000
Office of Administrative Hearings	Fiscal note not available											
Liquor and Cannabis Board	Fiscal note not available											
<b>Total \$</b>	<b>12.6</b>	<b>0</b>	<b>0</b>	<b>3,622,000</b>	<b>12.4</b>	<b>0</b>	<b>0</b>	<b>3,577,000</b>	<b>12.4</b>	<b>0</b>	<b>0</b>	<b>3,558,000</b>

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of Attorney General	.0	0	0	.0	0	0	.0	0	0
Office of Administrative Hearings	Fiscal note not available								
Liquor and Cannabis Board	Fiscal note not available								
<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>

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total

## Estimated Capital Budget Breakout

This preliminary fiscal note package is incomplete. There is one agency missing at this time (OAH).

<b>Prepared by:</b> Amy Hatfield, OFM	<b>Phone:</b> (360) 000-0000	<b>Date Published:</b> Preliminary
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5080 SB	<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 2024	FY 2025	2023-25	2025-27	2027-29
Legal Services Revolving Account-State 405-1	1,732,000	1,890,000	3,622,000	3,577,000	3,558,000
<b>Total \$</b>	1,732,000	1,890,000	3,622,000	3,577,000	3,558,000

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	12.0	13.1	12.6	12.4	12.4
<b>Account</b>					
Legal Services Revolving Account-State 405-1	1,732,000	1,890,000	3,622,000	3,577,000	3,558,000
<b>Total \$</b>	1,732,000	1,890,000	3,622,000	3,577,000	3,558,000

### 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: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/04/2023
Agency Preparation: Cam Comfort	Phone: (360) 664-9429	Date: 01/10/2023
Agency Approval: Edd Giger	Phone: 360-586-2104	Date: 01/10/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/11/2023

## Part II: Narrative Explanation

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

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

This bill is related to expanding social equity in the cannabis industry.

Section 1 amends RCW 69.50.331 to encourage all cannabis licenses, after January 1, 2024, to submit a social equity plan to the Liquor and Cannabis Board (LCB). LCB is authorized to reimburse certain licensees who submit a social equity plan, an amount equal to the cost of the licensee's annual cannabis license renewal fee.

Section 2 amends RCW 69.50.335 to authorize LCB, beginning January 1, 2023, and in subsequent years, to increase, in its sole discretion, the number of cannabis licenses that may be issued based on specific criteria. In determining priority, LCB must select a third-party contractor to identify and score social equity applicants.

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 provides that Section 3 expires July 1, 2024.

Section 6 provides that Section 4 takes effect July 1, 2024.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

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

The client agency is the Liquor and Cannabis Board (LCB). The Attorney General's Office (AGO) will bill the client 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 based on the below workload assumptions:

LCB will be billed for Seattle and non-Seattle rates:

FY 2023: \$20,000 for 0.07 Assistant Attorneys General (AAG), 0.04 Legal Assistant 3 (LA), and 0.01 Paralegal (PL).

FY 2024: \$1,732,000 for 5.90 AAG, 2.95 LA, and 1.71 PL.

FY 2025: \$1,890,000 for 6.52 AAG, 3.26 LA, and 1.72 PL.

FY 2026: \$1,798,000 for 6.24 AAG, 3.12 LA, and 1.56 PL.

FY 2027: \$1,779,000 for 6.18 AAG, 3.09 LA, and 1.55 PL and in each FY thereafter.

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

Attorney General's Office (AGO) Agency Assumptions:

Location of staffing housed is assumed to be in Seattle, non-Seattle, and statewide office buildings.

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

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

Assumptions for the AGO Licensing and Administrative Law Division's (LAL) Legal Services for the Liquor and Cannabis Board (LCB):

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

Assuming an effective date prior to July 1, 2023, LAL will be required to provide 50 hours of advice on implementation and rulemaking in FY 2023.

LAL will be required to provide 300 hours of advice on implementation and rulemaking in FY 2024.

LAL will provide 150 hours of advice on rule making and implementation in FY 2025. For each FY thereafter, the AGO will provide 75 hours of advice.

LAL projects it will be required to defend multiple actions challenging the implementation of this request legislation as well as related challenges stemming from changes in statutes and rules. If the bill is effective prior to the end of FY 2023, LAL projects 50 hours of AAG litigation time and 25 hours of Paralegal (PL) time for FY 2023. Thereafter, LAL projects the following impacts, which may be revised upward:

FY 2024: 500 hours AAG time and 300 hours of PL time.

FY 2025: 500 hours AAG time and 300 hours of PL time.

FY 2026: 100 hours AAG time and 25 hours of PL time.

FY 2027 and each FY thereafter: Minimal impact.

Based on population estimates, LCB assumes 47 new cannabis retailer licenses would be created in FY 2024 and beginning FY 2025 and continuing each FY thereafter, six new cannabis retailer licenses would be created.

LAL advises LCB on final orders of administrative regulatory actions. LCB projects that approximately 2,500 potential licensees will apply for the available licenses each year, and that of that number 200 license applicants will appeal the denial of the application for a license each year. GCE estimates 200 licensing litigation actions per year beginning in FY 2024. Of those, 60 are expected to resolve by default. With the exception of litigation actions that resolve by default, each of these licensing and enforcement actions will require ten hours of AAG time to advise the LCB. Cases that resolve by default will require one hour of AAG time to review and advise the LCB. Additionally, AGO's Government, Compliance and Enforcement Division (GCE) estimates two new enforcement litigation cases each FY beginning FY 2025.

LAL's projected AAG hours related to the advising LCB on the final order of administrative regulatory actions:

FY 2024: 1,460 AAG hours.

FY 2025: 1,480 AAG hours.

FY 2026: 1,480 AAG hours.

FY 2027: 1,480 AAG hours and each FY thereafter.

LAL's total impact:

FY 2023: \$17,000 for 100 AAG hours and 25 hours of PL time.  
FY 2024: \$360,000 for 2,260 AAG hours and 300 hours of PL time.  
FY 2025: \$338,000 for 2,130 AAG hours and 300 hours of PL time.  
FY 2026: \$250,000 for 1,655 AAG hours and 25 hours of PL time.  
FY 2027: \$231,000 for 1,555 AAG hours and each FY thereafter.

Assumptions for the AGO GCE Division's legal services for the LCB.

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

GCE litigates licensing and enforcement actions for the LCB.

Beginning January 1, 2023 and continuing each year thereafter, Section 2 would permit the LCB to increase the number of cannabis retailer licenses for social equity applicants, as that term is defined, based on certain criteria, including population estimates. The number of new licenses would be within the LCB's sole discretion. The LCB must adopt rules to implement the provisions in Section 2.

Additionally, effective January 1, 2024, Section 1 would encourage all cannabis licensees to submit a social equity plan at the time of renewal.

Assuming an effective date prior to July 1, 2023, GCE anticipates providing input and advice during rulemaking that would result in 25 AAG hours of new work beginning in FY 2023 and continuing each FY through FY 2025.

Based on population estimates, LCB assumes 47 new cannabis retailer licenses would be created in FY 2024 and beginning FY 2025 and continuing each FY thereafter, six new cannabis retailer licenses would be created.

GCE assumes that because of the continued high demand for new cannabis retailer licenses, the number of applications received by the LCB would not be dependent on the number of licenses available, but rather remain at a high level as long as new licenses were available. Beginning FY 2024 and continuing each FY thereafter, LCB assumes receiving approximately 2,500 applications for the new cannabis retailer licenses authorized by this legislative proposal. GCE assumes that 200 license denials would be appealed each FY and referred to GCE for litigation.

GCE assumes that the vast majority of the litigation relating to the license denials from FY 2024 would be handled in FY 2024 and this pattern would continue each FY thereafter.

Beginning in FY 2024 and continuing each FY thereafter, GCE assumes that approximately 30 percent or 60 of the new licensing appeals would resolve by default and would utilize an average of seven AAG hours per case, for a total of 420 AAG hours. GCE also assumes that approximately 30 percent or 60 cases would be resolved on summary judgment and would utilize an average of 25 AAG hours per case, for a total of 1,500 AAG hours. 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 and would utilize an average of 80 AAG hours per case, for a total of 6,400 AAG hours.

Based on current workloads and paralegal utilization, GCE assumes utilizing paralegal services for these new administrative hearings at a ratio of one PL hour for every three AAG hours. Therefore, beginning in FY 2024 and continuing each FY thereafter, GCE assumes that administrative litigation of license denials would generate 8,320 AAG hours (420 + 1,500 + 6,400) and 2,773 PL hours (140 + 500 + 2,133) of new work.

GCE assumes that beginning in FY 2025 and continuing each FY thereafter, ten license denials would be challenged on judicial review. As a result of SB 5225 (2021), GCE assumes that these judicial reviews of license denials would be

certified to the Court of Appeals. Because of the more stringent requirements for litigation before the Court of Appeals, GCE assumes that each license denial judicial review would utilize an average of 120 AAG hours, for an annual total of 1,200 AAG hours (10 x 120).

Based on past experience with cannabis retailer licensees, GCE assumes receiving approximately one enforcement litigation referral each FY per 30 new licenses issues. Beginning in FY 2025 and continuing each FY thereafter, GCE assumes receiving approximately two new enforcement litigation referrals each FY. GCE further assumes that each new enforcement litigation referral would utilize approximately 30 AAG hours and 10 PL hours to litigate to completion. Judicial review of enforcement cases is uncommon, so GCE does not anticipate receiving any new work from these cases after the administrative hearing stage. Therefore, the new enforcement litigation resulting from this legislative proposal would generate an annual increase of 60 AAG hours (2 x 30) and 20 PL hours (2 x 10).

Section 1 of this legislative proposal would encourage all cannabis licensees to submit a social equity plan at the time of renewal. Because the submission of such a plan would be encouraged, but not required, this new provision would not result in any impact on GCE’s work for LCB.

GCE’s total impact:

- FY 2023: \$3,000 for 25 AAG hours.
- FY 2024: \$1,372,000 for 8,345 AAG hours and 2,773 hours of PL time.
- FY 2025: \$1,552,000 for 9,605 AAG hours and 2,793 hours of PL time.
- FY 2026: \$1,548,000 for 9,580 AAG hours and 2,793 hours of PL time.
- FY 2027: \$1,548,000 for 9,580 AAG hours and 2,793 hours of PL time, and each FY thereafter.

LCB will be billed for Seattle and non-Seattle rates by AGO’s LAL and GCE divisions:

- FY 2023: \$20,000 for 0.07 AAG, 0.04 LA, and 0.01 PL.
- FY 2024: \$1,732,000 for 5.90 AAG, 2.95 LA, and 1.71 PL.
- FY 2025: \$1,890,000 for 6.52 AAG, 3.26 LA, and 1.72 PL.
- FY 2026: \$1,798,000 for 6.24 AAG, 3.12 LA, and 1.56 PL.
- FY 2027: \$1,779,000 for 6.18 AAG, 3.09 LA, and 1.55 PL and in each FY thereafter.

The AGO Agriculture and Health Division has reviewed this bill and determined it will not significantly increase or decrease the division’s workload in representing the Department of Commerce. New legal services are nominal and costs are not included in this request.

### Part III: Expenditure Detail

#### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
405-1	Legal Services	State	1,732,000	1,890,000	3,622,000	3,577,000	3,558,000
	Revolving Account						
<b>Total \$</b>			1,732,000	1,890,000	3,622,000	3,577,000	3,558,000

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29	
FTE Staff Years	12.0	13.1	12.6	12.4	12.4	
A-Salaries and Wages	1,137,000	1,242,000	2,379,000	2,348,000	2,336,000	
B-Employee Benefits	375,000	409,000	784,000	774,000	770,000	
E-Goods and Other Services	208,000	226,000	434,000	430,000	428,000	
G-Travel	12,000	13,000	25,000	25,000	24,000	
<b>Total \$</b>		1,732,000	1,890,000	3,622,000	3,577,000	3,558,000

**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 2024	FY 2025	2023-25	2025-27	2027-29
Assistant Attorney General	118,700	4.6	5.3	5.0	5.3	5.3
Assistant Attorney General-Seattle	124,635	1.3	1.2	1.2	0.9	0.9
Legal Assistant 3	55,872	2.3	2.7	2.5	2.7	2.7
Legal Assistant 3-Seattle	67,044	0.6	0.6	0.6	0.5	0.4
Management Analyst 5	91,524	1.5	1.6	1.6	1.6	1.5
Paralegal 2	71,520	1.5	1.6	1.6	1.6	1.6
Paralegal 2-Seattle	75,096	0.2	0.2	0.2	0.0	
<b>Total FTEs</b>		12.0	13.1	12.6	12.4	12.4

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

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
Government Compliance & Enforcement Division (GCE)	1,372,000	1,552,000	2,924,000	3,096,000	3,096,000
Licensing & Administrative Law Division (LAL)	360,000	338,000	698,000	481,000	462,000
<b>Total \$</b>	1,732,000	1,890,000	3,622,000	3,577,000	3,558,000

**Part IV: Capital Budget Impact**

**IV. A - Capital Budget Expenditures**

NONE

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

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

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

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*