

Individual State Agency Fiscal Note

Bill Number: 1822 S HB	Title: Cannabis/short-term rentals	Agency: 195-Liquor and Cannabis Board
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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
Domestic Violence Prevention Account-State 07W-1	22,500	22,500	45,000	45,000	45,000
Total \$	22,500	22,500	45,000	45,000	45,000

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.4	0.1	0.3	0.1	0.1
Account					
Dedicated Cannabis Account-State 315-1	217,032	7,647	224,679	15,294	15,294
Total \$	217,032	7,647	224,679	15,294	15,294

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.

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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.

Section 1: A new section is added to chapter 69.50 RCW to read as follows:

(1) There is an annual permit to allow short-term rental operators to provide a complimentary prerolled useable cannabis product, not to exceed one gram of useable cannabis for each prerolled useable cannabis product, to each rental guest who is age 21 or over. The annual permit fee is \$75. A single permit applies to all rental properties owned or operated by a short-term rental operator and identified in the permit application.

(2) Upon application in the prescribed form being made to any employee authorized by the board to issue permits, accompanied by payment of the prescribed fee, and upon the employee being satisfied that the applicant should be granted a permit under this section, the employee must issue to the applicant under such regulations as may be prescribed by the board a permit under this section.

(3) Moneys collected from the permit fee in this section must be deposited in the domestic violence prevention account in RCW 70.123.150.

(4) For purposes of this section, "short-term rental," "operator," and "guest" have the same meanings as in RCW 64.37.010.

CHANGES MADE BY THE SUBSTITUTE:

Section 1(3): Moneys collected from the permit fee in this section must be deposited in the domestic violence prevention account in RCW 70.123.150.

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.

This bill creates a new annual permit to allow short-term rental operators to provide a complimentary prerolled useable cannabis product, not to exceed one gram of useable cannabis for each prerolled useable cannabis product, to each rental guest who is age 21 or over. The permit fee is \$75/year and applies to all properties owned or operated by the short-term rental operator and identified in the permit application. Moneys collected from the permit fee in this section must be deposited in the domestic violence prevention account in RCW 70.123.150.

Through research with other state agencies, the Washington State Liquor and Cannabis Board ("Board") estimates that there are 30,000 short-term rental properties throughout the state. The Board estimates that 1% of those businesses would apply for this permit.

$\$75 \times 300 = \$22,500/\text{year}$.

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.

BOARD DIVISION

The Washington State Liquor and Cannabis Board ("Board") is currently in the middle of a project to upgrade the agency's internal licensing and enforcement systems. The Licensing, Enforcement, Education, and Administrative Data Systems

(LEEADS) is expected to go live July 1, 2024. There are change request costs associated with this legislation that will have to be submitted to the vendor. The estimated costs for these change requests is \$120,000 in FY24. Some examples of changes needed follow:

- A new permit type for short-term rental operator (new privilege code)
 - This permit would have a \$75 dollar fee
 - This permit would be required to renew annually

These changes will need to be made during the implementation of the SMP project through project change controls.

LICENSING DIVISION

There will be ongoing staff costs to process the estimated 300 permits per year, of 0.1 FTE Customer Service Specialist 3.
 0.1 FTE Customer Service Specialist 3 - \$7,647/yr (\$7,370 salary/benefits, \$277 in associated costs).

INFORMATION TECHNOLOGY DIVISION

The expected impact of this bill would be driven by changes to the iSeries, Enforcement Notebook, Replication, and BI/SSRS Reports.

This Bill would require the creation of a new endorsement with location tracking. Notably, this endorsement would be attainable by entities who are not currently Board licensees, which increases the amount of effort necessary to implement. The iSeries/AS400 would have to undergo a major reconfiguration in order to implement this endorsement.

Note: this assumption is also reported in 1731 SHB (complimentary liquor for short-term rentals), which would require the same reconfiguration. If both bills pass, there would be cost efficiencies as the implementation work is essentially the same in both bills.

Vendor costs:

- iSeries - \$42,000 (280 hours x \$150/hr)
- Enforcement Notebook - \$800 (8 hours x \$100/hr)

IT Staff costs (iSeries, Replication, and BI/SSRS reports):

0.3 FTE IT App Development - Senior/Specialist - \$46,585/yr (\$46,264 salary/benefits, \$321 in associated costs).

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
315-1	Dedicated Cannabis Account	State	217,032	7,647	224,679	15,294	15,294
Total \$			217,032	7,647	224,679	15,294	15,294

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.4	0.1	0.3	0.1	0.1
A-Salaries and Wages	40,675	5,060	45,735	10,120	10,120
B-Employee Benefits	12,959	2,310	15,269	4,620	4,620
C-Professional Service Contracts	162,800		162,800		
E-Goods and Other Services	584	263	847	526	526
G-Travel					
J-Capital Outlays	14	14	28	28	28
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	217,032	7,647	224,679	15,294	15,294

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
Customer Service Specialist 3	50,592	0.1	0.1	0.1	0.1	0.1
IT App Development - Senior/Specialist	118,716	0.3		0.2		
Total FTEs		0.4	0.1	0.3	0.1	0.1

III. D - Expenditures By Program (optional)

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
Board Division (010)	120,000		120,000		
Licensing Division (050)	7,647	7,647	15,294	15,294	15,294
Information Technology Division (070)	89,385		89,385		
Total \$	217,032	7,647	224,679	15,294	15,294

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.

New rules would need to be written for the new annual special permit in Section 1.