

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5080 E 2S 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	2,071,000	0	0	415,000	0	0	58,000
Office of Attorney General	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.								
Office of Administrative Hearings	0	0	597,000	0	0	139,000	0	0	22,000
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>2,668,000</b>	<b>0</b>	<b>0</b>	<b>554,000</b>	<b>0</b>	<b>0</b>	<b>80,000</b>

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	No fiscal impact					
Local Gov. Total						

## 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
Joint Legislative Audit and Review Committee	1.0	0	0	625,400	.0	0	0	7,000	.0	0	0	0
Office of the Governor	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Office of Attorney General	7.2	0	0	2,071,000	1.4	0	0	415,000	.2	0	0	58,000
Office of Attorney General	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.											
Department of Commerce	.0	0	0	0	.0	0	0	0	.0	0	0	0
Office of Administrative Hearings	2.0	0	0	597,000	.5	0	0	139,000	.1	0	0	22,000
Office of Minority and Women's Business Enterprises	.0	0	0	0	.0	0	0	0	.0	0	0	0
Liquor and Cannabis Board	5.1	5,244,923	5,244,923	5,244,923	5.5	2,748,230	2,748,230	2,748,230	5.5	2,274,230	2,274,230	2,274,230
<b>Total \$</b>	<b>15.3</b>	<b>5,244,923</b>	<b>5,244,923</b>	<b>8,538,323</b>	<b>7.4</b>	<b>2,748,230</b>	<b>2,748,230</b>	<b>3,309,230</b>	<b>5.8</b>	<b>2,274,230</b>	<b>2,274,230</b>	<b>2,354,230</b>

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	No fiscal impact								
Local Gov. Total									

### Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
Office of the Governor	.0	0	0	.0	0	0	.0	0	0
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
Office of Administrative Hearings	.0	0	0	.0	0	0	.0	0	0
Office of Minority and Women's Business Enterprises	.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>

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	No fiscal impact								
Local Gov. Total									

### Estimated Capital Budget Breakout

<b>Prepared by:</b> Amy Hatfield, OFM	<b>Phone:</b> (360) 280-7584	<b>Date Published:</b> Revised 4/ 3/2023
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5080 E 2S SB	<b>Title:</b> Cannabis social equity	<b>Agency:</b> 014-Joint Legislative Audit and Review Committee
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.6	1.3	1.0	0.0	0.0
<b>Account</b>					
Performance Audits of Government Account-State 553-1	242,900	382,500	625,400	7,000	0
<b>Total \$</b>	242,900	382,500	625,400	7,000	0

### 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: Corban Nemeth	Phone: 360-786-7736	Date: 03/06/2023
Agency Preparation: Melanie Stidham	Phone: 360-786-5190	Date: 03/09/2023
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 03/09/2023
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 03/10/2023

## 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.*

The bill amends the cannabis social equity program. Among other things, the bill increases the number of active retail, processor, and producer licenses.

Section 6 of the bill directs JLARC to do the following:

- Review prior canopy studies completed by the Liquor and Cannabis Board (LCB). Canopy studies measure the amount of square footage dedicated to live cannabis plant production.
- Examine whether current levels of cannabis production are in alignment with market demand and capacity.
- Examine the potential impact of additional producer licenses granted under the bill.

The JLARC study is due by June 30, 2025.

### 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.*

### 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.*

JLARC staff anticipate beginning the study at the end of 2023.

JLARC staff will conduct standard preliminary research, including working with interested parties and stakeholders. We will review prior canopy studies completed by LCB and review the number of current and future producer, processor, and retailer licenses available in the state.

JLARC staff anticipate hiring a consultant with cannabis sector expertise to assist with our evaluation of whether current levels of cannabis production are in alignment with market demand and capacity, and the potential impact of additional producer licenses.

The report would be presented in May 2025.

JLARC estimates its costs to be divided between a) JLARC staff costs, and b) the costs associated with engaging external experts to assist JLARC staff in completing its assignment.

a) JLARC estimates its costs based on audit months (approximately \$22,100 per audit month). JLARC estimates it will take 15 audit months to complete the assignment required by this bill.

b) Consultant Costs: JLARC anticipates engaging consultant(s) to assist us with evaluating whether current levels of cannabis production are in line with current market demand and capacity, as well as the potential impact of additional producer licenses. We estimate consultant costs of \$300,500.

JLARC assumes comparable consultant efforts and costs made available for previous studies, and estimated costs reflect JLARC's recent experience in contracting with external entities for similar work.

JLARC ASSUMES THAT THE ASSIGNMENT IN THIS PROPOSED BILL MAY REQUIRE ADDITIONAL

RESOURCES. JLARC WILL ASSESS ALL OF THE ASSIGNMENTS MANDATED IN THE 2023 LEGISLATIVE SESSION. BASED ON ALL LEGISLATION THAT IS PASSED, JLARC MAY SUBSEQUENTLY DETERMINE THAT IT CAN ABSORB THE COSTS FOR THIS PROPOSED BILL IN ITS BASE BUDGET, IF THE WORKLOAD OF OTHER ENACTED LEGISLATION DOES NOT EXCEED CURRENT STAFFING LEVELS. HOWEVER, ADDITIONAL RESOURCES TO COVER CONSULTANT COSTS OF \$300,500 WOULD NEED TO BE PROVIDED.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst's time for a month, together with related administrative, support, and goods/services costs. JLARC's anticipated 2023-25 costs are calculated at approximately \$22,100 per audit month.

**Part III: Expenditure Detail**

**III. A - Operating Budget Expenditures**

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
553-1	Performance Audits of Government Account	State	242,900	382,500	625,400	7,000	0
<b>Total \$</b>			242,900	382,500	625,400	7,000	0

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.6	1.3	1.0		
A-Salaries and Wages	60,100	150,200	210,300	4,300	
B-Employee Benefits	18,900	47,300	66,200	1,400	
C-Professional Service Contracts	150,000	150,300	300,300	300	
E-Goods and Other Services	12,600	31,500	44,100	900	
G-Travel	1,300	3,200	4,500	100	
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	242,900	382,500	625,400	7,000	0

**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
Research Analyst	126,694	0.4	0.9	0.7		
Support staff	89,671	0.2	0.4	0.3		
<b>Total FTEs</b>		0.6	1.3	1.0		0.0

**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**

*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.*

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5080 E 2S SB	<b>Title:</b> Cannabis social equity	<b>Agency:</b> 075-Office of the Governor
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## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

**Non-zero but indeterminate cost and/or savings. Please see discussion.**

### 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: Corban Nemeth	Phone: 360-786-7736	Date: 03/06/2023
Agency Preparation: Tracy Sayre	Phone: 360-890-5279	Date: 03/09/2023
Agency Approval: Jamie Langford	Phone: (360) 870-7766	Date: 03/09/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 03/09/2023

## 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.*

The Engrossed Second Substitute Bill 5080 did not change the Governor's fiscal impact as previously submitted.

Substitute Bill 5080 added the Office of Equity to the definition of disproportionately impacted area:

Sec. 2 - (6)(a) "Disproportionately impacted area" means a census tract or comparable geographic area within Washington state where community members were more likely to be impacted by the war on drugs. These areas must be determined in rule by the board, in consultation with the Office of Equity, using a standardized statistical equation to identify areas with demographic indicators consistent with populations most impacted by the war on drugs. These areas must be assessed to account for demographic changes in the composition of the population over time. Disproportionately impacted areas must include census tracts or comparable geographic areas in the top 15th percentile in at least two of the following demographic indicators of populations most impacted by the war on drugs:

- (i) the area has a high rate of people living under the federal poverty level;
- (ii) the area has a high rate of people who did not graduate from high school;
- (iii) the area has a high rate of unemployment; or the area has a high rate of people receiving public assistance.

### 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.*

### 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.*

The Office of Equity currently has the staff resources to support the additional workload required in Section 2. However, the scope of the work is not specific enough to determine the cost of obtaining the data, licensing fees, and creating a cannabis licensing equity analysis tool using the metrics identified, which may require ongoing maintenance and licensing fees.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Non-zero but indeterminate cost and/or savings. Please see discussion.

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

Non-zero but indeterminate cost and/or savings. Please see discussion.

**III. C - Operating FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

### 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**

*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.*

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5080 E 2S 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	1,752,000	319,000	2,071,000	415,000	58,000
<b>Total \$</b>	1,752,000	319,000	2,071,000	415,000	58,000

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	12.2	2.2	7.2	1.4	0.2
<b>Account</b>					
Legal Services Revolving Account-State 405-1	1,752,000	319,000	2,071,000	415,000	58,000
<b>Total \$</b>	1,752,000	319,000	2,071,000	415,000	58,000

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

### 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:

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- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Corban Nemeth	Phone: 360-786-7736	Date: 03/06/2023
Agency Preparation: Cam Comfort	Phone: (360) 664-9429	Date: 03/09/2023
Agency Approval: Edd Giger	Phone: 360-586-2104	Date: 03/09/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 03/10/2023

## 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.*

Section 1: Amends RCW 43.330.540 to revise dates so that the Liquor Cannabis Board (LCB) must grant awards primarily based on the strength of social equity plans submitted by cannabis licensee applicants and cannabis licensees holding a license after April 1, 2023, and before July 1, 2024.

Section 2: Amends RCW 69.50.331 to prohibit LCB from issuing a cannabis retail license for any premises not currently licensed if it receives a timely written objection from certain local government representatives relating to the physical location of the proposed premises and the objection is based on a preexisting local ordinance. After January 1, 2024, cannabis licensees are encouraged to submit a social equity plan to the LCB. LCB must reimburse (one time only) licensees who submit a social equity plan an amount equal to the cost of the licensee's annual cannabis license renewal fee.

Section 3: Amends RCW 69.50.335 to authorize LCB to issue or reissue up to 100 cannabis processor licenses immediately and, beginning July 1, 2025, up to ten cannabis producer licenses, which must be issued in conjunction with a cannabis processor license. LCB also may issue up to 52 additional licenses for social equity program retailers. In addition, beginning January 1, 2023, and continuing every three years until January 1, 2032, LCB may, if the Legislature passes a bill, increase the number of cannabis retailer licenses for the social equity program based on specific criteria. All licenses issued under the social equity program may be located in any city, town, or county that allows cannabis retail or cannabis processing business activity at the proposed location. LCB must adopt rules. To establish priority for issuing licenses, LCB must select a third-party contractor to identify and score social equity applicants.

Sections 4 and 5: 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. Provides that LCB must consider written input from an incorporated city or town, or county legislative authority when evaluating concerns related to outlet density. LCB is authorized to adopt rules to identify how local jurisdiction input will be evaluated. An incorporated city or town, or county legislative authority may enact an ordinance prescribing outlet density.

Section 6: New section requiring review by the Joint Legislative Audit and Review Committee (JLARC) of prior canopy studies completed by LCB and to examine whether current levels of cannabis production align with market demand and capacity. JLARC must report to the Governor and Legislature by June 30, 2025.

Section 7: Provides that Section 4 expires July 1, 2024.

Section 8: Provides that Section 5 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 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 agency's fiscal note. Appropriation authority is necessary in the AGO budget.

## AGO AGENCY ASSUMPTIONS:

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

FY 2024: \$1,752,000 for 5.97 Assistant Attorney General FTE (AAG), 2.99 Legal Assistant 3 FTE (LA), and 1.73 Paralegal FTE (PL).

FY 2025: \$319,000 for 1.14 AAG, 0.57 LA, and 0.19 PL.

FY 2026: \$364,000 for 1.25 AAG, 0.63 LA, and 0.34 PL.

FY 2027: \$51,000 for 0.19 AAG, 0.1 LA and 0.02 PL.

FY 2028: \$34,000 for 0.13 AAG, 0.07 LA, and 0.02 PL

FY 2029 and in each FY thereafter: \$24,000 for 0.09 AAG, 0.05 LA and 0.02 PL.

## 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 is assumed to be in a Seattle and non-Seattle 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. The Management Analyst 5 (MA), is used as a representative classification. An example ratio is for every 1.0 Assistant Attorney General FTE (AAG), the AGO includes 0.5 FTE for a Legal Assistant 3 (LA) and 0.25 FTE of an MA.

Assumptions for the AGO Government Compliance & Enforcement Division (GCE) legal services for the Liquor and Cannabis Board (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.

Section 2(11) would prohibit LCB from issuing a cannabis retail license for any premises not currently licenses if LCB receives a timely objection from the local government authority based on the physical location of the proposed premises. The objection is based on a preexisting local ordinance limiting outlet density.

Section 3(1)(b) of this bill would authorize the LCB to issue or reissue 100 cannabis processor licenses immediately, and beginning January 1, 2025, it could issue up to 10 cannabis producer licenses. Beginning January 1, 2024 and continuing until July 1, 2032, section 3(1)(d) would permit LCB to issue up to 52 new cannabis retailer licenses for social equity applicants, as that term is defined.

This bill would also require LCB to adopt rules establishing a threshold of the number of licenses created by Section 3 that can be located in each county.

Assuming an effective date prior to July 1, 2023, GCE anticipates to provide input and advice during rulemaking that would result in 40 AAG hours of new work beginning in FY 2023 and continuing each FY through FY 2025. Since legal assistance is nominal, costs are not included in this request in FY 2023.

LCB assumes that it would open a licensing window in FY 2024 for the 52 new cannabis retailer licenses and the 100

cannabis processor licenses. LCB anticipates to receive approximately 5,000 applications for the newly available licenses authorized by this legislative proposal. Finally, LCB assumes that 202 license denials would be appealed and referred to GCE for litigation during FY 2024.

GCE assumes that the vast majority of the administrative litigation relating to the license denials from FY 2024 would be handled in FY 2024. Of the total 202 new licensing appeals, GCE assumes that 60 (approximately 30 percent) would resolve by default and would utilize an average of seven AAG hours per case, for a total of 420 AAG hours.

GCE assumes that approximately 61 cases (approximately 30 percent) would be resolved on summary judgment and would utilize an average of 25 AAG hours per case, for a total of 1,525 AAG hours.

GCE assumes that the remaining 81 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 6,480 AAG hours.

Based on current workloads and Paralegal (PL) utilization, GCE assumes to utilize PL services for these new administrative hearings at a ratio of one PL for three AAG hours. Therefore, GCE anticipates that in FY 2024, administrative litigation of license denials would generate 8,425 AAG hours ( $420 + 1,525 + 6,480$ ) and 2808 PL hours ( $140 + 508 + 2160$ ) of new work.

GCE assumes that in FY 2025, 10 license denials would be challenged on judicial review. As a result of Senate Bill 5225 (FY 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 total of 1,200 AAG hours ( $10 \times 120$ ) of new work in FY 2025.

LCB assumes that it would open a second licensing window the second half of FY 2025 for the 10 new cannabis producer licenses. LCB anticipates to receive approximately 1,000 applications for the newly available producer licenses authorized by this legislative proposal. Finally, LCB assumes that 40 license denials would be appealed and referred to GCE for litigation during FY 2026.

GCE assumes that the administrative litigation relating to the license denials from the second half of FY 2025 would be handled entirely in FY 2026. Of the total 40 new licensing appeals, GCE assumes that 12 (30 percent) would resolve by default and would utilize an average of seven AAG hours per case, for a total of 84 AAG hours.

GCE also assumes that 12 cases (30 percent) would be resolved on summary judgment and would utilize an average of 25 AAG hours per case, for a total of 300 AAG hours. Finally, GCE assumes that the remaining 16 cases would proceed to an administrative hearing and would utilize an average of 80 AAG hours per case, for a total of 1280 AAG hours.

GCE would utilize PL services for these new administrative hearings at a ratio of one PL for three AAG hours. Therefore, GCE anticipates that in FY 2026, administrative litigation of license denials would generate 1,664 AAG hours ( $84 + 300 + 1280$ ) and 554 PL hours ( $28 + 100 + 426$ ) of new work.

GCE assumes that in FY 2027, one license denial would be challenged on judicial review and would utilize 120 AAG hours in that FY.

Based on past experience with cannabis retailer, producer and processor licensees, beginning in FY 2025 and continuing each FY thereafter, GCE assumes to receive approximately four new enforcement litigation referrals each year. GCE further assumes that each new enforcement litigation referral would utilize approximately 30 AAG hours and 10 PL hours to litigate to completion. Judicial reviews of enforcement cases are uncommon, so GCE does not anticipate to receive any new work from these cases after the administrative hearing stage. Therefore, beginning in FY 2025, the new enforcement litigation resulting from this legislative proposal would generate an annual increase of 120 AAG hours ( $4 \times 30$ ) and 40 PL

hours (4 x 10).

Under section 3(1)(c) of this bill, beginning January 1, 2023, and continuing every three years until July 1, 2032, LCB would be authorized, with the approval of the legislature through the enactment of this bill to increase the number of cannabis retailer licenses for the social equity program based on census data and population estimates. GCE understands that LCB will likely open up multiple licensing windows (for example: opportunities to apply for retail cannabis licenses) during the period of this legislation, although the number and exact timing of those licensing windows and the number of new applications available during those windows would be contingent on numerous factors. If LCB opens additional licensing windows in the future, GCE projects that each licensing window would result in a significant, albeit indeterminate, fiscal impact. The ability for local authorities to weigh in on outlet density, which is new to this version of the bill, would factor into that future indeterminate impact.

Section 2(12) 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.

As a result of this legislative proposal, we assume GCE would see a total increase as follows:

FY 2024: 8,465 AAG hours (40 + 8,425) and 2,808 PL hours.  
FY 2025: 1,360 AAG hours (40 + 1,200 + 120) and 40 PL hours.  
FY 2026: 1,784 AAG hours (1664 + 120) and 594 PL hours (554 + 40).  
FY 2027: 240 AAG hours (120 + 120) and 40 PL hours.  
FY 2028 and in each FY thereafter: 120 AAG hours and 40 PL hours.

GCE total FTE workload for non-Seattle rates:

FY 2024: \$1,389,000 for 4.7 AAG, 2.35 LA, and 1.56 PL.  
FY 2025: \$197,000 for 0.76 AAG, 0.38 LA, and 0.02 PL.  
FY 2026: \$288,000 for 0.97 AAG, 0.49 LA, and 0.33 PL.  
FY 2027: \$36,000 for 0.13 AAG, 0.07 LA and 0.02 PL.  
FY 2028 and in each FY thereafter: \$19,000 for 0.07 AAG, 0.04 LA, and 0.02 PL.

The AGO GCE has reviewed this bill and determined it will not significantly increase or decrease the division's workload in representing the Joint Legislative Audit and Review Committee (JLARC). Section 6 of this bill would require JLARC to review prior LCB studies relating to the cannabis canopy in Washington State to assess whether current production levels align with marked demand and capacity. JLARC would be required to report the results of the review to the Governor and the Legislature by June 30, 2025. New legal services are nominal and costs are not included in this request.

Assumptions for the AGO Licensing & Administrative Law Division (LAL) legal services for the 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. Since legal assistance is nominal, costs are not included in this request 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 PL time for FY 2023. Since legal assistance is nominal, costs are not included in this request in FY 2023. Thereafter, LAL projects the following impacts, which may be revised upward.

FY 2024: 500 AAG hours and 300 PL hours.

FY 2025: 500 AAG hours and 300 PL hours.

FY 2026: 100 AAG hours and 25 PL hours.

FY 2027 and in each FY thereafter: Minimal impact.

Based on section 2(1)(c), LCB projects that 52 new cannabis retailer licenses would be created and available for application in FY 2024. Additionally, 100 new processor licenses will be immediately available, and as of January 1, 2025, 10 new producer licenses will be available.

LAL advises LCB on final orders of administrative regulatory actions. LCB projects that approximately 2,000 potential licensees will apply for the available retail licenses during the FY 2024 application window, and of that number 202 license applicants will appeal the denial of the application for a license each FY. LCB and GCE estimates 200 licensing litigation actions 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 10 hours of AAG time to advise LCB. Cases that resolve by default will require one hour of AAG time to review and advise LCB.

LCB projects limited, if any appeals, of producer/processor license applications. These application appeals are likely to last into FY 2025 before final resolution at the administrative stage.

LCB assumes that it would open a second licensing window the second half of FY 2025 for the 10 new cannabis producer licenses provided for in this version of the bill. LCB anticipates that they would receive approximately 1,000 applications for the newly available producer licenses authorized by this legislative proposal. Finally, LCB assumes that 40 license denials would be appealed and referred to GCE for litigation during FY 2026.

GCE projects that of those 40 appeals, 28 will be litigated beyond default. GCE projects all litigation related to this second licensing will fall in FY 2026. Based on these projections, LAL will provide final order advice on 12 defaults and 28 litigated appeals in FY 2026. This will require 292 hours of AAG work. (12 x 1 defaults) + (28 x 10 final orders).

In total, starting in FY 2024, the number of licensed cannabis retailers will rise by at least 52, while the number of producers and processors will increase by approximately 110. Based on this increase, LCB and GCE estimate four new enforcement litigation cases each FY beginning FY 2025, based on current enforcement rates

Based on LCB and GCE's estimated total number of actions, LAL projects the following minimum impacts on its final order work.

FY 2024: 1,480 AAG hours (60 x 1) + (142 x 10).

FY 2025: 40 AAG hours (4 x 10).

FY 2026: 332 AAG hours (292 + 40 (4 x 10)).

FY 2027 and in each FY thereafter: 40 AAG hours (4 x 10).

Indeterminate impacts:

LAL understands that LCB projects it will likely provide multiple licensing windows (for example: opportunities to apply for retail cannabis licenses during the period of this legislation), although the number and timing of those licensing windows and the number of new applications available during those windows would be contingent on numerous factors. If LCB opens additional licensing windows in the future, LAL projects that each licensing window would result in a significant, albeit indeterminate, fiscal impact.

Sections 4 and 5 require rulemaking on local jurisdiction input, which may lead to litigation, either in the Administrative Procedures Act (APA) or original litigation framework. Because those rules and any attendant procedures are unknown at this time, the impact is indeterminate.

As a result of this legislative proposal, LAL assumes a total workload increase for advice, litigation, and final orders as follows:

FY 2024: 2,280 AAG hours (300 + 500 + 1,480) and 300 PL hours.

FY 2025: 690 AAG hours (150 + 500 + 40) and 300 PL hours.

FY 2026: 507 AAG hours (75 + 100 + 332) and 25 PL hours.

FY 2027 and FY 2028 (each FY): 115 AAG hours (75 + 40).

FY 2029 and in each FY thereafter: 40 AAG hours.

LAL total FTE workload impact for Seattle rates:

FY 2024: \$363,000 for 1.27 AAG, 0.64 LA and 0.17 PL.

FY 2025: \$122,000 for 0.38 AAG, 0.19 LA, and 0.17 PL.

FY 2026: \$76,000 for 0.28 AAG, 0.14 LA and 0.01 PL.

FY 2027 and FY 2028 (each FY): \$15,000 for 0.06 AAG and 0.03 LA.

FY 2029 and in each FY thereafter: \$5,000 for 0.02 AAG and 0.01 LA.

GCE and LAL total FTE workload impact for Seattle and non-Seattle rates:

FY 2024: \$1,752,000 for 5.97 AAG, 2.99 LA, and 1.73 PL.

FY 2025: \$319,000 for 1.14 AAG, 0.57 LA, and 0.19 PL.

FY 2026: \$364,000 for 1.25 AAG, 0.63 LA, and 0.34 PL.

FY 2027: \$51,000 for 0.19 AAG, 0.1 LA and 0.02 PL.

FY 2028: \$34,000 for 0.13 AAG, 0.07 LA, and 0.02 PL

FY 2029 and in each FY thereafter: \$24,000 for 0.09 AAG, 0.05 LA and 0.02 PL.

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 (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	1,752,000	319,000	2,071,000	415,000	58,000
	Revolving Account						
<b>Total \$</b>			1,752,000	319,000	2,071,000	415,000	58,000

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	12.2	2.2	7.2	1.4	0.2
A-Salaries and Wages	1,150,000	211,000	1,361,000	273,000	39,000
B-Employee Benefits	380,000	69,000	449,000	90,000	12,000
E-Goods and Other Services	210,000	37,000	247,000	50,000	7,000
G-Travel	12,000	2,000	14,000	2,000	
<b>Total \$</b>	1,752,000	319,000	2,071,000	415,000	58,000



In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

**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	4.7	0.8	2.7	0.6	0.1
Assistant Attorney General-Seattle	124,635	1.3	0.4	0.8	0.2	0.0
Legal Assistant 3	55,872	2.4	0.4	1.4	0.3	0.0
Legal Assistant 3-Seattle	67,044	0.6	0.2	0.4	0.1	0.0
Management Analyst 5	91,524	1.5	0.3	0.9	0.2	0.0
Paralegal 2	71,520	1.6	0.0	0.8	0.2	0.0
Paralegal 2-Seattle	75,096	0.2	0.2	0.2	0.0	
<b>Total FTEs</b>		12.2	2.2	7.2	1.5	0.2

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

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
Government Compliance & Enforcement Division (GCE)	1,389,000	197,000	1,586,000	324,000	38,000
Licensing & Administrative Law Division (LAL)	363,000	122,000	485,000	91,000	20,000
<b>Total \$</b>	1,752,000	319,000	2,071,000	415,000	58,000

**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.*

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5080 E 2S SB	<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:**

NONE

**Estimated Capital Budget Impact:**

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Corban Nemeth	Phone: 360-786-7736	Date: 03/06/2023
Agency Preparation: Karen McArthur	Phone: 360-725-4027	Date: 03/30/2023
Agency Approval: Jason Davidson	Phone: 360-725-5080	Date: 03/30/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 04/03/2023

## 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.*

Section 1 amends RCW 43.330.540 establishing the cannabis social equity technical assistance grant program (program) administered by the Department of Commerce (department). The department must award grants for eligible technical assistance activities to applicants submitting a plan under the program and cannabis licensees holding a license issued after April 1, 2023, and before July 25, 2024, who meet certain social equity criteria.

The department estimates this as no fiscal impact and the activities stated in E2S SB 5080 are already part of the normal operating procedures within the department's Office of Economic Development & Competitiveness (OEDC).

### 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.*

### 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.*

The department estimates this as no fiscal impact and the activities stated in E2S SB 5080 are already part of the normal operating procedures within the department's Office of Economic Development & Competitiveness (OEDC).

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

NONE

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

NONE

**III. C - Operating FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

### 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

*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.*

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5080 E 2S SB	<b>Title:</b> Cannabis social equity	<b>Agency:</b> 110-Office of Administrative Hearings
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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
Administrative Hearings Revolving Account-State 484-1	586,000	11,000	597,000	139,000	22,000
<b>Total \$</b>	586,000	11,000	597,000	139,000	22,000

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	4.0	0.1	2.1	0.5	0.1
<b>Account</b>					
Administrative Hearings Revolving Account-State 484-1	586,000	11,000	597,000	139,000	22,000
<b>Total \$</b>	586,000	11,000	597,000	139,000	22,000

### 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: Corban Nemeth	Phone: 360-786-7736	Date: 03/06/2023
Agency Preparation: Pete Boeckel	Phone: 360-407-2730	Date: 03/09/2023
Agency Approval: Deborah Feinstein	Phone: 360-407-2717	Date: 03/09/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 03/09/2023

## 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.*

Section 2 now prohibits the Liquor & Cannabis Board (LCB) from issuing licenses to new cannabis retailers if it receives a written objection from a city or county objecting to the new retailers' proposed physical location. LCB must receive the objection within 20 days after the Board notifies the city or county of the proposed location, and the objection must be based on an existing local ordinance limiting outlet density. Section 2 continues to amend RCW 69.50.331 to allow cannabis licensees, beginning January 1, 2024, to submit social equity plans, and receive a one-time reimbursement of their annual license renewal fee in most cases.

Section 3 further amends RCW 69.50.335 to allow LCB to immediately begin issuing or reissuing up to 100 cannabis processor licenses that were previously revoked, forfeited, or cancelled, and to issue up to 10 cannabis producer/processor licenses beginning January 1, 2025. It also allows LCB to issue up to 52 cannabis retailer licenses beginning January 1, 2024 through July 1, 2032, for the social equity program. This bill requires legislation in order to further increase the number of retailer and producer licenses for the social equity program. Social equity licensees cannot move from city, town, or county where they were initially licensed. This bill continues to waive the annual fee for licenses issued, reissued, or renewed under this section through July 1, 2032.

### 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.*

As a central service agency, the Office of Administrative Hearings (OAH) bills referring agencies for its costs and collects the revenue into the Administrative Hearings Revolving Account. Cash receipts are assumed to equal costs. OAH will bill the Liquor & Cannabis Board for the costs related to this proposed legislation.

These cash receipts represent the OAH's authority to bill and are not a direct appropriation to OAH. Appropriation authority is necessary in OAH's budget.

### 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.*

The Attorney General's Office estimates that the proposed legislation will result in the Liquor & Cannabis Board (LCB) sending new appeals being referred to the Office of Administrative Hearings (OAH). On average, each appeal is expected to take approximately 14 hours of line Administrative Law Judge (ALJ) time including prehearing conferences, hearings, order writings, etc.

LCB assumes that it will open a licensing window in FY 2024 for the 52 new cannabis retailer licenses and the 100 cannabis processor licenses. LCB anticipates that they would receive approximately 5,000 applications for the newly available licenses authorized by this legislative proposal and that 202 license denials will be appealed and referred to OAH.

Based on past experience with cannabis retailer, producer and processor licensees, beginning in FY 2025 and continuing each year thereafter, LCB assumes four new enforcement appeals referred to OAH each year.

LCB assumes that it will open a second licensing window the second half of FY 2025 for the 10 new cannabis producer licenses. LCB anticipates receiving approximately 1,000 applications for the newly available producer licenses authorized by this legislative proposal and that 40 license denials will be appealed and referred to OAH in FY 2026.

LCB assumed appeals:

FY 2024: 202

FY 2025: 4

FY 2026: 44

FY 2027 and in each FY thereafter: 4

OAH Agency Workforce Assumptions:

(1) The Governors proposed COLA increases in FY2024 and FY2025, and Collective Bargaining Agreement increases are not included in agency cost projections. Additional funding is required if these proposals are enacted.

(2) Ratio of 1.0 FTE line ALJ to 0.15 Senior ALJ (SALJ), to 0.6 Legal Assistant 2 (LA2) (Range 40 step L), to 0.25 administrative support Management Analyst 5 (MA5) (Range 64 Step L).

(3) ALJ salary is based on the ALJ collective bargaining agreement and assumed to be at step L. (Line ALJ-range 70. Senior ALJ-range 74.)

(4) Benefit rates were analyzed by job class and projected using the latest benefit information available.

(5) Goods and services, travel and on-going capital outlays were projected based on historical data for each of the job classifications.

Total workload impact:

FY 2024: 2.02 ALJ at a cost of \$335,718; 0.30 SALJ at a cost of \$54,299; 1.21 LA2 at a cost of \$121,091; 0.51 MA5 at a cost of \$74,856. The total cost is rounded to \$586,000.

FY 2025: 0.05 ALJ at a rounded cost of \$11,000.

FY 2026: 0.44 ALJ at a cost of \$73,127; 0.07 SALJ at a cost of \$11,827; 0.26 LA2 at a cost of \$20,376; 0.11 MA5 at a cost of \$16,305. The total cost is rounded to \$128,000.

FY 2027 and in each FY thereafter: 0.05 ALJ at a rounded cost of \$11,000 per FY.

### Part III: Expenditure Detail

#### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
484-1	Administrative Hearings Revolving Account	State	586,000	11,000	597,000	139,000	22,000
<b>Total \$</b>			586,000	11,000	597,000	139,000	22,000

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	4.0	0.1	2.1	0.5	0.1
A-Salaries and Wages	357,000	7,000	364,000	85,000	14,000
B-Employee Benefits	119,000	2,000	121,000	28,000	4,000
C-Professional Service Contracts					
E-Goods and Other Services	101,000	2,000	103,000	24,000	4,000
G-Travel	4,000		4,000	1,000	
J-Capital Outlays	5,000		5,000	1,000	
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	586,000	11,000	597,000	139,000	22,000

**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
Administrative Law Judge	106,152	2.0	0.1	1.0	0.3	0.1
Legal Assistant 2	50,592	1.2		0.6	0.1	
Management Analyst 5	91,524	0.5		0.3	0.1	
Senior Administrative Law Judge	117,168	0.3		0.2	0.0	
<b>Total FTEs</b>		4.0	0.1	2.1	0.5	0.1

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

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
Regulatory & Education (REG)	586,000	11,000	597,000	139,000	22,000
<b>Total \$</b>	586,000	11,000	597,000	139,000	22,000

**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.*



# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5080 E 2S SB	<b>Title:</b> Cannabis social equity	<b>Agency:</b> 147-Office of Minority and Women's Business Enterprises
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Operating Expenditures from:**

NONE

**Estimated Capital Budget Impact:**

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Corban Nemeth	Phone: 360-786-7736	Date: 03/06/2023
Agency Preparation: Paul Bitar	Phone: 360-407-8129	Date: 03/07/2023
Agency Approval: Paul Bitar	Phone: 360-407-8129	Date: 03/07/2023
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 03/07/2023

## 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 would amend RCW 69.50.335 to allow for an additional 52 cannabis retailer licenses for social equity program retailers, which would include only those applicants that are socially and economically disadvantaged as defined by OMWBE. The bill would also add a cannabis social equity technical assistance grant program, which would be administered by the Dept of Commerce.

This bill could lead to a small increase in applicants seeking certification by OMWBE. Accordingly, OMWBE anticipates that as much as 0.1 FTEs could spend time working on issues related to the social equity program. Additionally, OMWBE may perform some outreach to let businesses know more about this program, through website updates, and mass email distribution.

Given the small increase in workload associated with this bill, OMWBE does not expect that it will need to hire additional staff, so the bill will not have a fiscal impact.

### 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.*

### 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.*

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

NONE

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

NONE

**III. C - Operating FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

### 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**

*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.*

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5080 E 2S SB	<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.**

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	4.7	5.5	5.1	5.5	5.5
<b>Account</b>					
General Fund-State 001-1	3,781,598	1,463,325	5,244,923	2,748,230	2,274,230
<b>Total \$</b>	3,781,598	1,463,325	5,244,923	2,748,230	2,274,230

### 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: Corban Nemeth	Phone: 360-786-7736	Date: 03/06/2023
Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 03/10/2023
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 03/10/2023
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 03/10/2023

## 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.*

Section 1(3): Modifies the time period in which a cannabis licensee must have been issued a cannabis license to qualify for a Social Equity Technical Assistance Grant by the Department of Commerce to after April 1, 2023, and before July 1, 2024, rather than after June 30, 2020, and before July 25, 2021.

Section 1(5): Strikes the requirement that funding for the cannabis social equity technical assistance grant program be provided through the dedicated cannabis account.

Section 2(11): Prohibits the Liquor and Cannabis Board (LCB) from issuing a cannabis retail license for any premises not currently licensed if the LCB receives a written objection from specified local authorities within 20 days of providing notice and the objection is based on a preexisting local ordinance limiting outlet density in a specific geographic area.

Section 2(12): After January 1, 2024, all cannabis licensees are encouraged but are not required to submit a social equity plan to the board. Upon confirmation by the board that a cannabis licensee who is not a social equity applicant, and who does not hold a social equity license issued under RCW 69.50.335, has submitted a social equity plan, the board must within 30 days reimburse such licensee an amount equal to the cost of the licensee's annual cannabis license renewal fee. The license renewal fee reimbursement authorized under this subsection (11) is subject to the following limitations:

- (i) the board may provide reimbursement one time only to any licensed entity; and
- (ii) any licensed entity holding more than one cannabis license is eligible for reimbursement of the license renewal fee on only one license.

NOTE: Section 2(12) applies to ALL cannabis licenses (producer, processor, retailer, research, transportation).

Section 3(1a): adds cannabis processor and producer licenses to the social equity program.

Section 3(1b)(i) The Board may issue 100 cannabis processor licenses immediately.

Section 3(1b)(ii): Permits LCB to issue up to 10 cannabis producer licenses under the Social Equity in Cannabis Program (Program) beginning January 1, 2025, which must be issued in conjunction with a cannabis processor license. [This is in addition to the 100 processor licenses in 3(1b)(i)]

Section 3(1c): the Board may, beginning January 1, 2023 and every three years until July 1, 2032, increase the number of licenses for the social equity program with the approval of the legislature through the passage of a bill. The request must be based on the the most recent census data and OFM annual population estimates.

Section 3(1c): In addition to the cannabis retailer licenses that may be issued under 1a and 1b of this section, beginning January 1, 2024 and until July 1, 2032, the Board may issue up to 52 additional cannabis retailer licenses under the social equity program.

Section 3(1e)(i): At the time of licensure, all licenses issued under the social equity program under this section may be issued in any city, town or county in the state that allows cannabis retail business.

Section 3(1e)(ii): Requires the Liquor and Cannabis Board to adopt rules establishing a threshold of the number of licenses created in the Social Equity in Cannabis Program that can be located in each county.

Section 3(1f): After a social equity license has been issued under this section for a specific location, the licensed business may not be moved to a different city, town or county.

Section 3(2a): in order to be considered for a cannabis retailer, processor, or producer license under subsection 2(1), an applicant must submit required cannabis license materials to the Board. Existing law language referencing a social equity plan was deleted.

Section 3(3a): In determining the priority for issuance of a social equity license, the Board must select a third-party contractor to identify and score social equity applicants. The Board must rely on the score provided by the third-party contractor in issuing licenses.

Section 3(4): The Board must adopt rules to implement this section. The Board must consider advice on the social equity program from individuals the program is intended to benefit. Rules may also require that licenses under this section may only be transferred to or assumed by individuals or groups who comply with the social equity application requirements for a period of at least five years from the date of initial licensure.

Section 3(5): The annual fee for issuance, reissuance, or renewal for any license issued under the social equity program must be waived through December 31, 2032.

Section 3(6): Definitions –

- a) “Disproportionally impacted area” is redefined.
- b) “Social equity applicant” is redefined. (iv) adds that a social equity applicant must be both a socially and economically disadvantaged individual as defined by the office of minority and women’s business enterprises (OMWBE) under chapter 39.19 RCW.
- c) “Social equity goals” is redefined.
- d) “Social equity plan” is redefined.

Section 3(7): adds language stating that except for the process detailed in subsection 2(1), the process for creating new cannabis retail licenses under this chapter remains unaltered.

Section 4(2a) modifies subsection 2 of RCW 69.50.345 to refer to 69.50.335 (Section 3 of this bill)

Section 4(2b) & Section 5(2b)

- (i) Requires the Liquor and Cannabis Board (LCB) to consider written input from a local jurisdiction when evaluating concerns related to outlet density.
- (ii) Specifies that nothing in chapter 69.50 RCW limits a local jurisdiction from enacting an ordinance prescribing outlet density limitations.
- (iii) Permits the LCB to adopt rules identifying how local jurisdiction input on outlet density will be evaluated.

Section 5 mirrors Section 4.

Section 6: Requires the Joint Legislative Audit and Review Committee, by June 30, 2025, to review and report to the Governor and appropriate committees of the Legislature regarding whether current levels of cannabis production align with market demand and capacity, including the impact of any additional cannabis producer licenses granted under the act.

\*\*\*\*\*

#### CHANGES MADE BY THE ENGROSSED SECOND SUSBTITUTE:

Section 2(11): Prohibits the Liquor and Cannabis Board (LCB) from issuing a cannabis retail license for any premises not currently licensed if the LCB receives a written objection from specified local authorities within 20 days of providing notice

and the objection is based on a preexisting local ordinance limiting outlet density in a specific geographic area.

Section 3(1b)(ii): Permits LCB to issue up to 10 cannabis producer licenses under the Social Equity in Cannabis Program (Program) beginning January 1, 2025, which must be issued in conjunction with a cannabis processor license. [This is in addition to the 100 processor licenses in 3(1b)(i)]

Section 3(1c): Allows the LCB to increase the number of cannabis producer licenses for the Program in the same manner as increases in the number of cannabis retailer licenses.

Section 3(1e): Requires the Liquor and Cannabis Board to adopt rules establishing a threshold of the number of licenses created in the Social Equity in Cannabis Program that can be located in each county.

NEW Section 6: Requires the Joint Legislative Audit and Review Committee, by June 30, 2025, to review and report to the Governor and appropriate committees of the Legislature regarding whether current levels of cannabis production align with market demand and capacity, including the impact of any additional cannabis producer licenses granted under the act.

Sections 6 & 7 (expiration/effective dates) from the 2SSB are renumbered as Sections 7 & 8.

## 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.*

An increase in the number of cannabis retailer licenses issued as a result of this legislation will likely also increase cannabis excise tax revenue as underserved areas gain more cannabis retail outlets. However, to what extent revenues would increase, is indeterminate, but will be more than enough to cover costs of implementing this legislation as well as the possible one-time loss in revenue in FY24 due to the license fee reimbursement (see below).

Note: the state does not derive any cannabis excise tax revenues from cannabis producer and processor licenses, so any increase in those licenses would not affect tax revenues, and in fact could have a negative impact if competition between producers and processors makes product cheaper for the retailers.

Section 2(11) of the bill encourages all cannabis licensees to submit a voluntary social equity plan to the Board after January 1, 2024. Upon confirmation by the Board that a cannabis licensee who is not a social equity applicant, has submitted a social equity plan, the Board must within 30 days reimburse the licensee an amount equal to the licensees' annual cannabis license renewal fee. The Board may provide reimbursement one time only to any licensed entity, any licensed entity holding more than one cannabis license is eligible for reimbursement of the license renewal fee on only one license.

Assuming that 90% of 1,565 existing cannabis licensed entities not licensed as a social equity license, would submit a social equity plan and receive the reimbursement, the one-time loss in revenue to the state in FY24 is anticipated to be \$1,943,081

Retailers:  $421 \times 90\% \times \$1,381 = \$523,399$

Producer and/or Processor:  $1,135 \times 90\% \times \$1,381 = \$1,411,382$

Transportation:  $8 \times 90\% \times \$1,000 = \$7,000$

Research:  $1 \times 90\% \times \$1,300 = \$1,300$

## 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.*

FUND SOURCE NOTE: RCW 69.50.540(1a) was amended by the 2022 legislative session to set the amount of the

Dedicated Cannabis Account to be appropriated for the Board at \$12,500,000 initially, to be adjusted annually based on the United States bureau of labor statistics consumer price index (CPI) for the Seattle area - see RCW 69.50.540(2). The amount available for appropriation to the LCB based on the November 2022 forecast is:

FY24: \$13,450,000

FY25: \$13,854,000

FY26: \$14,158,000

FY27: \$13,441,000

The Governor's January 2024 updated budget proposal has appropriations that exceed these amounts. Therefore, the agency assumes that any expenditures from this legislation are required to be spent from the General Fund-State and not the Dedicated Cannabis Account.

#### ASSUMPTIONS:

Section 3(1b): adds cannabis processor and producer licenses to the social equity program. The Board may issue or reissue 100 cannabis processor licenses immediately and beginning January 1, 2025, up to 10 cannabis producer licenses which must be issued in conjunction with a cannabis processor license.

Section 3(1d): In addition to the cannabis retailer and producer licenses that may be issued under section 1a and 1b of this section, beginning January 1, 2024 and until July 1, 2032, the Board may issue up to 52 additional cannabis retailer licenses under the social equity program.

#### 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 license type for Cannabis Producer Issue based on Social Equity requirements (new privilege code)
- A report or count that could be pulled to verify number of licenses issued.
- A new license type for Cannabis Processor Issue based on Social Equity requirements (new privilege code)
- A report or count that could be pulled to verify number of licenses issued.

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

\*\*\*

#### Attorney General's Office costs:

The Attorney General's Office anticipates billing the Board for costs primarily relating to denials of applications for the social equity licenses.

FY24: \$1,732,000

FY25: \$319,000

FY26: \$364,000

FY27: \$51,000



FY28: \$34,000  
FY29: \$24,000

\*\*\*

#### Office of Administrative Hearings costs:

The Attorney General's Office estimates that the proposed legislation will result in the Liquor & Cannabis Board (LCB) sending new appeals being referred to the Office of Administrative Hearings (OAH). On average, each appeal is expected to take approximately 14 hours of line Administrative Law Judge (ALJ) time including prehearing conferences, hearings, order writings, etc.

LCB assumes that it will open a licensing window in FY 2024 for the 52 new cannabis retailer licenses and the 100 cannabis processor licenses. LCB anticipates that they would receive approximately 5,000 applications for the newly available licenses authorized by this legislative proposal and that 202 license denials will be appealed and referred to OAH. Based on past experience with cannabis retailer, producer and processor licensees, beginning in FY 2025 and continuing each year thereafter, LCB assumes four new enforcement appeals referred to OAH each year.

LCB assumes that it will open a second licensing window the second half of FY 2025 for the 10 new cannabis producer licenses. LCB anticipates receiving approximately 1,000 applications for the newly available producer licenses authorized by this legislative proposal and that 40 license denials will be appealed and referred to OAH in FY 2026.

FY24: \$586,000  
FY25: \$11,000  
FY26: \$128,000  
FY27: \$11,000  
FY28: \$11,000  
FY29+: \$11,000

\*\*\*\*\*

#### FINANCE DIVISION:

Due to the assumed increase in licenses, the Audit unit will need another auditor.

1.0 FTE Revenue Auditor 2 - \$112,699/yr (\$98,319 salary/benefits, \$14,380 in associated costs). Onetime costs in FY24 of \$1,325 for equipment purchases.

\*\*\*\*\*

#### LICENSING DIVISION:

Licensing expects an increase in phone calls and questions from applicants and licensees. The division will need additional staff to receive the applications, forward applications to the third-party contractor and withdraw applications that do not meet requirements.

2.5 FTE Customer Service Specialist 3 - \$190,953/yr (\$184,028 salary/benefits, \$6,925 in associated costs). Onetime costs in FY24 of \$18,315 for equipment purchases.

1.0 FTE Licensing Specialist Senior - \$84,258/yr (\$83,188 salary/benefits, \$1,070 in associated costs). Onetime costs in FY24 of \$1,725 for equipment purchases.

Section 3(3) of the bill requires the agency to use a third-party contractor to identify and score social equity applicants. \$750,000 in FY24 and \$500,000 ongoing.

The agency also intends to utilize a double-blind lottery if there are any ties between applicants after scoring. Estimated \$25,000 per year ongoing.

The division also needs \$35,000 per year ongoing for education and research and \$40,000 in FY24 to contract to gather and analyze data needed for mapping.

\*\*\*\*\*

#### ENFORCEMENT DIVISION:

The LCB keeps detailed statistics on all of its enforcement activities and tracks this activity using a unit of measure called a Field Increment (FI). All direct enforcement activities such as premise checks, inspections and investigations are tracked to determine how many FI's are needed to accomplish each activity. Each FI is equivalent to 1/10th of an hour (6 minutes). For example, if a tavern premise check takes 2 FI's and two officers, it is anticipated that one check will consume 4 FI's. Using historical data to factor out indirect activities such as driving time, training, office time and leave, it has been determined that officers are available for an average of 4,220 FI's each year.

Enforcement can absorb the extra workload in FY24. In FY25 the amount of work will increase significantly to the point that Enforcement will require 1.0 FTE LCB Enforcement Officer (LEO2) and 1.0 FTE Cannabis Consultant (Regulatory Analyst 3) ongoing. These additional 162 licensed locations cannot be absorbed by the division without additional staff. Officers will have increased travel time and educational demands placed on them by these new locations in conjunction to their regular assigned caseloads which may impede the ability of providing customer service. New locations have mandatory events that have to take place; for example final inspections, annual inspections and consultant visits.

See attached "5080 E2SSB Cannabis social equity -Enforcement Field Increment Calculator.pdf" for details on the workload calculations.

1.0 FTE LCB Enforcement Officer 2 - \$122,734/yr (\$106,874 salary/benefits, \$15,860 in associated costs). Onetime costs in FY25 of \$26,395 for equipment purchases.

1.0 FTE Administrative Regulations Analyst 3 - \$110,729/yr (\$94,869 salary/benefits, \$15,860 in associated costs). Onetime costs in FY25 of \$9,815 for equipment purchases.

\*\*\*\*\*

#### INFORMATION TECHNOLOGY DIVISION:

The agency will have one-time staff and contractor costs to implement the bill in FY24.

0.2 FTE IT App Development - Senior/Specialist - \$31,023/yr (\$30,809 salary/benefits, \$214 in associated costs).

ISeries vendor costs: \$150/hr x 80 hrs = \$12,000

ArcGIS vendor costs: \$355/hr x 60 hrs = \$21,300

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	3,781,598	1,463,325	5,244,923	2,748,230	2,274,230
<b>Total \$</b>			3,781,598	1,463,325	5,244,923	2,748,230	2,274,230

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	4.7	5.5	5.1	5.5	5.5
A-Salaries and Wages	280,448	350,148	630,596	700,296	700,296
B-Employee Benefits	115,896	133,942	249,838	267,884	267,884
C-Professional Service Contracts	968,300	525,000	1,493,300	1,050,000	1,050,000
E-Goods and Other Services	2,384,794	400,395	2,785,189	661,530	187,530
G-Travel	10,570	36,890	47,460	65,780	65,780
J-Capital Outlays	21,590	16,950	38,540	2,740	2,740
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	3,781,598	1,463,325	5,244,923	2,748,230	2,274,230

### 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
Administrative Regulations Analyst 3	75,120		1.0	0.5	1.0	1.0
Customer Service Specialist 3	50,592	2.5	2.5	2.5	2.5	2.5
IT App Development - Senior/Specialist	118,716	0.2		0.1		
LCB Enforcement Officer 2	77,028		1.0	0.5	1.0	1.0
Licensing Specialist Senior	58,704	1.0		0.5		
Revenue Auditor 2	71,520	1.0	1.0	1.0	1.0	1.0
<b>Total FTEs</b>		4.7	5.5	5.1	5.5	5.5

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

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
Board Division (010)	2,458,000	330,000	2,788,000	554,000	80,000
Finance Division (020)	114,024	112,699	226,723	225,398	225,398
Licensing Division (050)	1,145,251	750,953	1,896,204	1,501,906	1,501,906
Enforcement Division (060)		269,673	269,673	466,926	466,926
Information Technology Division (070)	64,323		64,323		
<b>Total \$</b>	3,781,598	1,463,325	5,244,923	2,748,230	2,274,230

## 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.*

Section 3(4): The Board must adopt rules to implement this section. The Board must consider advice on the social equity program from individuals the program is intended to benefit. Rules may also require that licenses under this section may only be transferred to or assumed by individuals or groups who comply with the social equity application requirements for a period of at least five years from the date of initial licensure.

**Enforcement Field Increment (FI) Calculator**

**5080 E2SSB "Cannabis Social Equity"**

**Year 1**

	Number of events	Time Factor	Staffing Factor	FI Total	Officer	Consultant
Cannabis Retail Premises Check	52	5	1.3	338	112	223
Cannabis Retailer Compliance Check	104	2	2	416	416	
License Support and Education	162	10	1.3	2106		2106
Complaint Investigations Cannabis	75	20	1.3	1950	1463	488
Consultant Visits	162	9	1	1458		1458
Producer/Processors Premises Check	110	10	1.3	1430	1430	

<b>Total FI's</b>	<b>7,698</b>	<b>3,420</b>	<b>4,275</b>
<b>Total Field Increments per FTE</b>	4,220	4,220	4,220
<b>FTE's required</b>	1.82	0.81	1.01
<b>Round</b>	<b>2.00</b>	<b>1.00</b>	<b>1.00</b>

**Factors**

Number of Retail locations	52
Number of Producers and Processors	110
Cannabis Retail Premises Check	52
Cannabis Retailer Compliance Check	2
License Support and Education	100%
Complaint Investigations Cannabis	75
Consultant Visits	1 annual
Producer/Processors Premises Check	110

**Year 2+**

	Number of events	Time Factor	Staffing Factor	FI Total	Officer	Consultant
Cannabis Retail Premises Check	52	5	1.3	338	112	223
Cannabis Retailer Compliance Check	104	2	2	416	416	
License Support and Education	81	10	1.3	1053		1053
Complaint Investigations Cannabis	75	20	1.3	1950	1463	488
Consultant Visits	162	9	1	1458		1458
Producer/Processors Premises Check	110	10	1.3	1430	1430	

<b>Total FI's</b>	<b>6,645</b>	<b>3,420</b>	<b>3,222</b>
<b>Total Field Increments per FTE</b>	4,220	4,220	4,220
<b>FTE's required</b>	1.57	0.81	0.76
<b>Round</b>	<b>2.00</b>	<b>1.00</b>	<b>1.00</b>

**Factors**

Number of Retail locations	52
Number of Producers and Processors	110
Cannabis Retail Premises Check	52
Cannabis Retailer Compliance Check	2
License Support and Education	50%
Complaint Investigations Cannabis	75
Consultant Visits	1 annual
Producer/Processors Premises Check	110

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

**Bill Number:** 5080 E 2S SB

**Title:** Cannabis social equity

## Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

- Cities:
- Counties:
- Special Districts:
- Specific jurisdictions only:
- Variance occurs due to:

## Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time: The increase in public safety costs for local jurisdictions.

### Estimated revenue impacts to:

None

### Estimated expenditure impacts to:

None

## Part III: Preparation and Approval

Fiscal Note Analyst: Kristine Williams	Phone: (564) 669-3002	Date: 03/09/2023
Leg. Committee Contact: Corban Nemeth	Phone: 360-786-7736	Date: 03/06/2023
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 03/09/2023
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 03/09/2023

## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

*Description of the bill with an emphasis on how it impacts local government.*

#### **CHANGES BETWEEN THIS VERSION AND THE PREVIOUS SUBSTITUTE BILL VERSION:**

This version of the bill includes amendments which describe the process in which a local government may submit an objection to a new license issued under this legislation. In addition, the liquor and cannabis board must adopt criteria for new license distribution by county. These changes include:

Sec.2 is amended to add a new subsection (11) to 69.50.331 RCW which states that the liquor and cannabis board may not issue a retail license for a premises that is not currently licensed if a local jurisdiction submits a written objection to the board based on a preexisting local ordinance. This objection must be submitted within the 20-day notification period specified in the section.

Sec.3 (1) (b) amends 69.50.335 RCW to require that cannabis producer licenses must be issued in conjunction with a cannabis processor license and allows the board to increase the number of licenses based on the timeline and criteria listed in the section. A new subsection is added which requires the board to adopt rules that establish a threshold for the number of new licenses that can be located in each county.

Sec.6 is amended to become a new section which states that the joint legislative audit and review committee must review prior canopy studies conducted by the board to examine whether current levels of cannabis production align with market demand and capacity, taking into consideration the impact of additional licenses granted under this act. This committee must report the results to the governor and appropriate legislative committees on or before June 30, 2025.

These changes do not affect the fiscal impacts discussed below.

#### **SUMMARY OF CURRENT BILL:**

This legislation would expand the number of cannabis licenses for licensees who have submitted social equity plans to the Department of Commerce (department). Local governments have the option to adopt ordinances which establish outlet density limitations and may also submit written objections to certain retail licenses based on preexisting local ordinances.

### **B. SUMMARY OF EXPENDITURE IMPACTS**

*Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.*

This substitute version of the bill does not change the expenditure impact this bill would have on local governments.

This legislation has no impact on local government expenditures. The Washington State Association of Counties indicated that an increase in the number of cannabis businesses may result in increased public safety costs for law enforcement agencies serving unincorporated areas which do not have prohibitions on cannabis businesses. However, no data exists to determine whether these increased costs would be offset by cannabis excise tax revenues.

### **C. SUMMARY OF REVENUE IMPACTS**

*Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.*

This substitute version of the bill does not change the revenue impact the bill would have on local governments, which is no impact.

#### **SOURCES**

Association of Washington Cities (AWC)  
Washington State Association of Counties (WSAC)  
Local Government Fiscal Note 2S SB 5080 (2023)