

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1346 HB	<b>Title:</b> Cannabis industry
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## Estimated Cash Receipts

Agency Name	2025-27			2027-29			2029-31		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Office of Attorney General	0	0	205,000	0	0	172,000	0	0	92,000
Office of Administrative Hearings	0	0	193,000	0	0	30,000	0	0	0
Liquor and Cannabis Board	0	0	31,950	0	0	38,250	0	0	38,250
<b>Total \$</b>	<b>0</b>	<b>0</b>	<b>429,950</b>	<b>0</b>	<b>0</b>	<b>240,250</b>	<b>0</b>	<b>0</b>	<b>130,250</b>

## Estimated Operating Expenditures

Agency Name	2025-27				2027-29				2029-31			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of Attorney General	.8	0	0	205,000	.8	0	0	172,000	.5	0	0	92,000
Office of Administrative Hearings	.6	0	0	193,000	.1	0	0	30,000	.0	0	0	0
Department of Revenue	.0	0	0	0	.0	0	0	0	.0	0	0	0
Liquor and Cannabis Board	2.8	0	0	1,092,244	2.4	0	0	741,906	2.4	0	0	631,906
<b>Total \$</b>	<b>4.2</b>	<b>0</b>	<b>0</b>	<b>1,490,244</b>	<b>3.3</b>	<b>0</b>	<b>0</b>	<b>943,906</b>	<b>2.9</b>	<b>0</b>	<b>0</b>	<b>723,906</b>

## Estimated Capital Budget Expenditures

Agency Name	2025-27			2027-29			2029-31		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of Attorney General	.0	0	0	.0	0	0	.0	0	0
Office of Administrative Hearings	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Liquor and Cannabis Board	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

# Estimated Capital Budget Breakout

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<b>Prepared by:</b> Gwen Stamey, OFM	<b>Phone:</b> (360) 790-1166	<b>Date Published:</b> Final 2/ 4/2025
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# Individual State Agency Fiscal Note

Revised

<b>Bill Number:</b> 1346 HB	<b>Title:</b> Cannabis industry	<b>Agency:</b> 100-Office of Attorney General
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2026	FY 2027	2025-27	2027-29	2029-31
Legal Services Revolving Account-State 405-1	15,000	190,000	205,000	172,000	92,000
<b>Total \$</b>	15,000	190,000	205,000	172,000	92,000

### Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.3	1.3	0.8	0.8	0.5
<b>Account</b>					
Legal Services Revolving Account-State 405-1	15,000	190,000	205,000	172,000	92,000
<b>Total \$</b>	15,000	190,000	205,000	172,000	92,000

### Estimated Capital Budget Impact:

NONE

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

Check applicable boxes and follow corresponding instructions:

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

Legislative Contact: Peter Clodfelter	Phone: 360-786-7127	Date: 01/15/2025
Agency Preparation: Chad Standifer	Phone: 3605863650	Date: 01/30/2025
Agency Approval: Joe Zawislak	Phone: 360-586-3003	Date: 01/30/2025
OFM Review: Rayanna Evans	Phone: (360) 902-0553	Date: 01/30/2025

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: New Section. Legislative findings.

Section 2: Amending RCW 69.50.325. Technical amendments.

Section 3: Amending RCW 69.50.331. Eliminating the requirement that a license must be issued to a person who has not lawfully resided in the state for at least six months prior to receiving the license, and the requirement that a license must be issued to an entity with a certificate of registration formed under the laws of this state, subject to certain requirements. A natural person holding an interest of more than ten percent in an entity must qualify for and be named on a license. If no person holds an ownership interest of more than ten percent, the person with the largest interest must qualify for a license. Owners with interests of less than ten percent but more than one percent must be disclosed to the Liquor and Cannabis Board (LCB). LCB may impose additional licensing fees to recover the costs of investigating a nonresident. They may deny a license to an entity if unable to investigate a person after reasonable efforts. LCB must suspend a cannabis producer’s license if no business activity has been recorded between July 1, 2023 and December 31, 2024. Such suspended licenses must be reissued to the licensee only under certain circumstances. Adding definitions of “entity” and “interest” from RCW 23.95.

Section 4: New Section. Effective date of January 1, 2026.

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 non-King County rates:  
FY 2026: \$15,000 for 0.1 Assistant Attorney General FTE (AAG) and 0.1 Paralegal 1 FTE (PL1)  
FY 2027: \$190,000 for 0.6 AAG, 0.2 PL2, and 0.3 PL1  
FY 2028: \$108,000 for 0.4 AAG, 0.1 PL2, and 0.2 PL1  
FY 2029: \$64,000 for 0.2 AAG, 0.1 PL2, and 0.2 PL1  
FY 2030 and in each FY thereafter: \$46,000 for 0.2 AAG, 0.1 PL2, and 0.1 PL1

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:

This bill is effective January 1, 2026.

Location of staffing is assumed to be in non-King County 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 FTE (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 Paralegal 1 FTE (PL1) and 0.4 MA.

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

GCE handles licensing and enforcement litigation for LCB. GCE will bill LCB for legal services based on the enactment of this bill. HB 1346 would eliminate the Washington state residency requirement for cannabis licensure. Except in limited circumstances, a person holding an ownership interest of ten percent or less would not have to qualify for or be named on a license. Finally, this bill would require the LCB to suspend a cannabis producer's license issued under RCW 69.50.325 if no activity has been recorded on the license between July 1, 2023, and December 31, 2024. The suspended licenses would have to be reissued to the licensees upon the happening of certain events. These provisions would take effect January 1, 2026.

LCB assumes there will be 426 new out-of-state applicants to assume existing cannabis licenses or to become owners on existing licenses, and that approximately two percent or nine applicants will be denied. LCB further assumes that five of the denials would result in hearings to challenge the denials. GCE assumes each new licensing action would utilize 15 AAG hours, for a total annual increase of 75 AAG hours (five x 15) beginning in FY 2027 and continuing each year thereafter. Based on current workloads and paralegal utilization, GCE assumes that would utilize paralegal services for this new work at a ratio of one paralegal hour for three AAG hours, which would result in an annual increase of 25 PL hours each year beginning in FY 2027.

In FY 2028 and FY 2029, GCE assumes one licensing denial would be challenged on judicial review. GCE further assumes these judicial reviews of licensing denials would be certified to the Court of Appeals (COA). Because of the more stringent requirements for litigation before COA, GCE assumes each licensing denial judicial review would utilize an average of 120 AAG hours, for total of 120 AAG hours (one x 120) of new work in each of the two years.

LCB also assumes out-of-state ownership would generate approximately six complex enforcement investigations each year beginning in FY 2027. LCB further assume these new investigations would result in three new enforcement cases each year. GCE assumes each new enforcement action would utilize 50 AAG hours, for a total annual increase of 150 AAG hours (three x 50) and 50 PL hours beginning in FY 2027 and continuing each year thereafter.

Based on information from the Department of Revenue (DOR), LCB assumes there are 246 producer licenses for which no activity was recorded between July 1, 2023, and December 31, 2024, that would make them subject to suspension under this bill. LCB further assumes an appeal rate of 20 percent, which would result in approximately 49 new cases in FY 2027. GCE assumes that would utilize an average of 15 AAG hours for the litigation of each case and five PL hours. Therefore, in FY 2027, GCE assumes the litigation of challenges to these license suspensions would result in a total workload increase of 735 AAG hours (49 x 15) and 245 (49 x five) PL hours.

GCE assumes in FY 2028, two producer license suspension denials would be challenged on judicial review. GCE further assumes these judicial reviews of license denials would be certified to COA. Because of the more stringent requirements for litigation before COA, GCE assumes each license denial judicial review would utilize an average of 120 AAG hours, for total of 240 AAG hours (two x 120) of new work in FY 2028.

GCE: Total non-King County workload impact:

FY 2027: \$179,000 for 0.5 AAG, 0.2 PL2, and 0.3 PL1

FY 2028: \$103,000 for 0.3 AAG, 0.1 PL2, and 0.2 PL1

FY 2029: \$61,000 for 0.2 AAG, 0.1 PL2, and 0.1 PL1

FY 2030 and in each FY thereafter: \$43,000 for 0.1 AAG, 0.1 PL2, and 0.1 PL1

## 2. Assumptions for the AGO Licensing & Administrative Law Division (LAL) legal services for LCB:

The bill will create a need for client advice as it would be a significant change to who can be issued a cannabis license, as it would allow non-residents to obtain a license and so would require rulemaking. Enactment of this bill may also impact ongoing and pending litigation challenging the residency requirement, and litigation.

LAL: Total non-King County workload impact:

FY 2026: \$15,000 for 0.1 AAG and 0.1 PL1

FY 2027: \$11,000 for 0.1 AAG and 0.1 PL1

FY 2028: \$5,000 for 0.1 AAG and 0.1 PL1

FY 2029 in each FY thereafter: \$3,000 for 0.1 AAG and 0.1 PL1

Total AGO workload impact:

FY 2026: \$15,000 for 0.1 AAG and 0.1 PL1

FY 2027: \$190,000 for 0.6 AAG, 0.2 PL2, and 0.3 PL1

FY 2028: \$108,000 for 0.4 AAG, 0.1 PL2, and 0.2 PL1

FY 2029: \$64,000 for 0.2 AAG, 0.1 PL2, and 0.2 PL1

FY 2030 and in each FY thereafter: \$46,000 for 0.2 AAG, 0.1 PL2, and 0.1 PL1

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
405-1	Legal Services	State	15,000	190,000	205,000	172,000	92,000
	Revolving Account						
<b>Total \$</b>			15,000	190,000	205,000	172,000	92,000

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

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.3	1.3	0.8	0.8	0.5
A-Salaries and Wages	10,000	129,000	139,000	116,000	62,000
B-Employee Benefits	3,000	39,000	42,000	36,000	20,000
E-Goods and Other Services	2,000	21,000	23,000	19,000	10,000
G-Travel		1,000	1,000	1,000	
<b>Total \$</b>	15,000	190,000	205,000	172,000	92,000

### 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 2026	FY 2027	2025-27	2027-29	2029-31
Assistant Attorney General	132,912	0.1	0.6	0.4	0.3	0.2
Management Analyst 5	98,040	0.1	0.2	0.2	0.2	0.1
Paralegal 1	71,148	0.1	0.3	0.2	0.2	0.1
Paralegal 2	78,468		0.2	0.1	0.1	0.1
<b>Total FTEs</b>		0.3	1.3	0.8	0.8	0.5

III. D - Expenditures By Program (optional)

Program	FY 2026	FY 2027	2025-27	2027-29	2029-31
Government Compliance & Enforcement Division (GCE)		179,000	179,000	164,000	86,000
Licensing & Administrative Law Division (LAL)	15,000	11,000	26,000	8,000	6,000
Total \$	15,000	190,000	205,000	172,000	92,000

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> 1346 HB	<b>Title:</b> Cannabis industry	<b>Agency:</b> 110-Office of Administrative Hearings
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2026	FY 2027	2025-27	2027-29	2029-31
Administrative Hearings Revolving Account-State 484-1	80,000	113,000	193,000	30,000	
<b>Total \$</b>	80,000	113,000	193,000	30,000	

### Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.4	0.7	0.6	0.1	0.0
<b>Account</b>					
Administrative Hearings Revolving Account-State 484-1	80,000	113,000	193,000	30,000	0
<b>Total \$</b>	80,000	113,000	193,000	30,000	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: Peter Clodfelter	Phone: 360-786-7127	Date: 01/15/2025
Agency Preparation: Pete Boeckel	Phone: 360-407-2730	Date: 01/24/2025
Agency Approval: Rob Cotton	Phone: 360-407-2708	Date: 01/24/2025
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 01/31/2025



## 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 3(c)(i), creates an automatic license suspension for licenses which were inactive from July 1, 2023 through December 31, 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.*

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 Liquor & Cannabis Board (LCB) estimates that the proposed legislation will result in new appeals being referred to the Office of Administrative Hearings (OAH). LCB assumes

FY2026: 17 appeals

FY2027: 24 appeals

FY2028: 6 appeals

On average, each appeal is expected to take approximately 20 hours of Line Administrative Law Judge (ALJ) time including prehearing conferences, hearings, order writings, etc.

OAH Agency Workforce Assumptions:

(1) 1.0 Line ALJ will include cost and FTE for 0.15 Senior ALJ (SALJ), 0.15 Lead ALJ (LALJ), 0.6 Legal Assistant 2 (LA2) (Range 40 step L), and 0.25 administrative support represented as a Management Analyst 5 (MA5) (Range 64 Step L).

(2) ALJ salary is based on the ALJ collective bargaining agreement and assumed to be at step L. (Line ALJ-range 70, Senior ALJ-range 76, Lead ALJ-range 73).

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

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

(5) Salary projections are based on the current FY 2025 salary tables.

Total workload impact:

FY 2026: 0.24 ALJ, 0.14 LA2, and 0.06 MA5. The total cost is rounded to \$80,000.

FY 2027: 0.34 ALJ, 0.05 SALJ; 0.05 LALJ; 0.20 LA2 and 0.09 MA5. The total cost is rounded to \$113,000.

FY 2028: 0.09 and 0.05 LA2. The total cost is rounded to \$30,000.

FY 2029 and thereafter: Appeals are assumed to be provided with existing resources

This bill is assumed effective 90 days after the end of the 2025 legislative session.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
484-1	Administrative Hearings Revolving Account	State	80,000	113,000	193,000	30,000	0
Total \$			80,000	113,000	193,000	30,000	0

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.4	0.7	0.6	0.1	
A-Salaries and Wages	50,000	71,000	121,000	19,000	
B-Employee Benefits	16,000	22,000	38,000	6,000	
C-Professional Service Contracts					
E-Goods and Other Services	13,000	18,000	31,000	5,000	
G-Travel		1,000	1,000		
J-Capital Outlays	1,000	1,000	2,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	80,000	113,000	193,000	30,000	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 2026	FY 2027	2025-27	2027-29	2029-31
Administrative Law Judge	113,712	0.2	0.3	0.3	0.1	
Lead ALJ	122,496		0.1	0.0		
Legal Assistant 2	55,584	0.1	0.2	0.2	0.0	
Management Analyst 5	98,040	0.1	0.1	0.1		
Senior Administrative Law Judge	131,880		0.1	0.0		
Total FTEs		0.4	0.7	0.6	0.1	0.0

III. D - Expenditures By Program (optional)

Program	FY 2026	FY 2027	2025-27	2027-29	2029-31
Regulatory & Education (REG)	80,000	113,000	193,000	30,000	
Total \$	80,000	113,000	193,000	30,000	

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.*

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 1346 HB	<b>Title:</b> Cannabis industry	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

☒ **No Fiscal Impact**

### Estimated Cash Receipts to:

NONE

### Estimated Expenditures from:

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: Peter Clodfelter	Phone: (360) 786-7127	Date: 01/15/2025
Agency Preparation: Anna Yamada	Phone: (360) 534-1519	Date: 01/24/2025
Agency Approval: Marianne McIntosh	Phone: (360) 534-1505	Date: 01/24/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 01/31/2025

Request # 1346-1-1

## 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.*

#### CURRENT LAW:

The Liquor and Cannabis Board (board) administers licensure for cannabis producers, processors, and retailers and enforces the laws regarding cannabis businesses.

- The application fee for each license is \$250, and the annual fee for issuance and renewal of the license is \$1,381.
- A separate license is required for each location of operation.
- Nobody else but the holder of a specific cannabis license can use the license.
- A person is at least 21 years old.
- An applicant is a lawful state resident who has resided in the state at least 6 months prior to the application.

Retailing License has additional regulations.

- An individual retail licensee or partner may only have up to 5 retailer's licenses.
- If a retailer is not fully operational and open to the public after the first 9 months but before 24 calendar months of license issuance, the board may forfeit the license unless under certain extraneous circumstances.

The board must promptly conduct a comprehensive, fair, and impartial evaluation of all the license applications to produce, process, research, transport, deliver, and sell cannabis and cannabis products.

Some of the considerations for the denial, suspension, cancellation, or revocation of any license may include, but are not limited to:

- Applicants with prior criminal arrests, convictions, and administrative violation history of public safety.
- All members of the entity, as well as managers and agents, who conduct business qualify as licensees.
- Chronic illegal activities associated with the applicant's operations to be licensed or the applicant's operations of any other licensed premises.
- Premises located in the vicinity of elementary or secondary schools, playgrounds, and other facilities that attract underage populations, where public safety or health may be negatively impacted, within an Indian country or in a city, town, or county with an ordinance or zoning prohibiting cannabis business activities.

#### Enforcement of Criminal Activities:

At its discretion, the board may suspend or cancel any license due to criminal or civil sanctions relating to cannabis production, handling, or selling activities. It will investigate such cases through the power of administrative law judges.

#### PROPOSAL:

This proposal removes barriers to the cannabis industry for outside state investment opportunities by making the following changes:

- Remove the state residency requirement for the licensee(s) and allow non-resident licensees with additional costs.
- In case of multiple ownership, only require a majority or with more than 10% entity-holder to be named on a license.
- It does not require minor entity-holders with at least 1% but 10% or less entity to be on a license, but it requires them to be disclosed to the board.
- Suspend inactive producer's licenses without taxable activities between July 1, 2023, and December 31, 2024, to free up available licenses. However, the suspended inactive producer's licenses may be reissued if Federal law or the opinion/memorandum of the U.S. Department of Justice allows for the interstate transfer of cannabis between authorized cannabis-related businesses.

#### EFFECTIVE DATE:

Request # 1346-1-1

This bill takes effect on January 1, 2026.

## 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 legislation results in no revenue impact on taxes or licenses administered by the Department of Revenue (department).

## 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 will not incur any costs with the implementation of this legislation.

## Part III: Expenditure Detail

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

NONE

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

NONE

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

NONE

## Part IV: Capital Budget Impact

### IV. A - Capital Budget Expenditures

NONE

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

NONE

### IV. C - Capital Budget Breakout

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

NONE

## Part V: New Rule Making Required

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1346 HB	<b>Title:</b> Cannabis industry	<b>Agency:</b> 195-Liquor and Cannabis Board
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2026	FY 2027	2025-27	2027-29	2029-31
Liquor Revolving Account-State 501-1	10,650	21,300	31,950	38,250	38,250
<b>Total \$</b>	10,650	21,300	31,950	38,250	38,250

### Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	2.7	2.9	2.8	2.4	2.4
<b>Account</b>					
Liquor Revolving Account-State 501-1	448,428	643,816	1,092,244	741,906	631,906
<b>Total \$</b>	448,428	643,816	1,092,244	741,906	631,906

### Estimated Capital Budget Impact:

NONE

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

Check applicable boxes and follow corresponding instructions:

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

Legislative Contact: Peter Clodfelter	Phone: 360-786-7127	Date: 01/15/2025
Agency Preparation: Aaron Hanson	Phone: 360-664-1701	Date: 01/31/2025
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 01/31/2025
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 02/04/2025

## 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.*

NEW SECTION. Sec. 1.

(1) The legislature finds that restricting investment in Washington's cannabis industry solely to Washington residents has created a significant and unnecessary barrier, one that does not exist in other state-regulated cannabis markets or any other industry nationwide.

(2) The legislature further finds that this restriction was originally enacted when Washington became the first state to legalize cannabis, as a precaution to avoid potential federal enforcement. However, as cannabis legalization has expanded across the nation, every other state with legal cannabis has adopted regulatory structures without such a residency requirement.

(3) The legislature further finds that eliminating the in-state residency requirement for investors is essential to creating a level playing field. At the same time, maintaining strict transparency requirements for all qualified investors ensures accountability and preserves the integrity of Washington's cannabis industry.

(4) The legislature also recognizes that a well-balanced regulatory structure fosters economic growth while preserving the state's high regulatory standards. Such a framework is essential for maintaining a vibrant and sustainable cannabis marketplace that serves all Washingtonians. However, oversupply issues have arisen from the issuance of excessive producer licenses, creating uncertainty in the market. Suspending inactive producer licenses until an interstate or federal cannabis marketplace is established will address this challenge and promote stability.

(5) Therefore, the legislature intends to expand access to investment opportunities for Washington's cannabis businesses, empower locally grown and produced cannabis enterprises to compete effectively in the national market, support smaller, community-based businesses in building resilience against larger, well-capitalized entities, and address oversupply challenges by suspending inactive producer licenses until a federal marketplace emerges.

Sec. 3(1)(b)(ii) STRIKES A person doing business as a sole proprietor who has not lawfully resided in the state for at least six months prior to applying to receive a license;

Sec. 3(1)(b)(iii) STRIKES A partnership, employee cooperative, association, nonprofit corporation, or corporation)) An entity unless formed under the laws of this state((, and unless all of the members thereof are qualified to obtain a license as provided in this section;

Sec. 3(1)(c)(i) A person is not required to be a resident of this state and an entity with a certificate of registration is not required to be formed under the laws of this state to qualify for a cannabis license under this chapter, subject to the following requirements:

(A) A natural person holding an ownership interest of more than 10 percent in the entity must qualify for and be named on the license;

(B) Except as provided in (c)(i)(C) of this subsection, a natural person holding an ownership interest of 10 percent or less in the entity is not required to qualify for or be named on the license;

(C) If no natural person holds an ownership interest of more than 10 percent in the entity, the natural person with the largest ownership interest must qualify for and be named on the license; and

(D) Directors of the entity must possess the same qualifications required of the licensee.

(ii) The identification of a natural person holding an ownership interest of 10 percent or less but more than one percent in the entity, who is not otherwise required to qualify for and be named on the license as provided in (c)(i) of this subsection, must be disclosed to the board.

(d) The board may impose additional licensing fees to recover additional costs incurred in investigating a nonresident required to be investigated under this section. If, after reasonable efforts, the board is unable to investigate a nonresident



required to be investigated under this section, in accordance with the investigatory standards applicable to the investigation of a state resident, the board may deny a license or license renewal to an entity.

Sec. 3 (2)(c)(i) The board must suspend a cannabis producer's license issued under RCW 69.50.325 if no activity has been recorded on the license between July 1, 2023, and December 31, 2024.

(ii) A cannabis producer's license suspended under (c)(i) of this subsection must be reissued to the licensee when:

(A) Federal law allows for the interstate transfer of cannabis between authorized cannabis-related businesses; or

(B) The United States department of justice issues an opinion or memorandum allowing or tolerating the interstate transfer of cannabis between authorized cannabis-related businesses.

(iii) For the purposes of this subsection, "no activity" refers to a cannabis producer's license with a unified business identifier number under which no business activity has been reported to the department of revenue.

Sec. 4 This act takes effect January 1, 2026.

## **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.*

There are currently 1,703 total cannabis licenses as of January 2025. The agency is estimating 25% (426) of the licensees would take advantage of the out of state ownership allowed by this bill and submit change requests to add out of state owners to the license initially upon the bill taking effect 1/1/2026. It's estimated that 1/3 (142) of the change requests would be processed in FY26 and the remaining 2/3 (284) in FY27. Beginning in FY28 and each year thereafter, it is estimated that 15% (255) of the 1,703 cannabis licensees will submit changes requests related to out of state ownership. Each change request has a cost of \$75.

### **Cash Receipt Impact:**

FY26: \$10,650 (142 change requests x \$75)

FY27: \$21,300 (284 change requests x \$75)

FY28+: \$19,125 (255 change requests x \$75)

## **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 (CENTRAL SERVICE COSTS):**

The Office of Administrative Hearings expects to bill the Board for referrals of cases to their agency:

FY26: \$80,000

FY27: \$113,000

FY28: \$30,000

The Attorney General's Office expects to bill the Board for legal work related to this bill:

FY26: \$15,000

FY27: \$190,000

FY28: \$108,000

FY29: \$64,000

FY30+: \$46,000

\*\*\*\*

## LICENSING DIVISION:

Sec. 3 (2)(c)(i) states that the Board must suspend a cannabis producer's license issued under RCW 69.50.325 if no activity has been recorded on the license between July 1, 2023, and December 31, 2024.

Last year, the Department of Revenue stated that there were up to 246 inactive licenses. Therefore, to track and issue suspension, a Customer Service Specialist 3 and a Program Specialist 4 will be needed to setup and monitor this new program, as well as assist with adjudication appeals, beginning July 1, 2025.

FY26+: 1.0 FTE Customer Service Specialist 3 - \$83,628/yr (\$78,248 salary/benefits, \$5,380 in associated costs). Onetime costs in FY26 of \$6,305 for equipment purchases.

FY26+: 1.0 FTE Program Specialist 4 - \$116,859/yr (\$111,479 salary/benefits, \$5,380 in associated costs). Onetime costs in FY26 of \$6,305 for equipment purchases.

\*\*\*\*

## ENFORCEMENT DIVISION:

Enforcement costs are anticipated to begin when the bill takes effect 1/1/2026.

The Enforcement Division has a one-time requirement for 1.0 FTE LEO2 in the first year after the bill takes effect to handle inactive licenses and the suspension process. This requirement is no longer valid after the first year as the majority of inactive businesses should be cleared. It is estimated that once this backlog is cleared there should be very few inactive businesses going forward.

Additionally, there will be a workload impact resulting from the allowance of out of state ownership of cannabis licensees. The division is expected to need 0.1 FTE LEO2 for potential investigations of out of state owners, and 0.3 FTE Program Specialist 3 to process out of state background checks.

FY26: 0.5 FTE LCB Enforcement Officer 2 - \$70,863/yr (\$59,328 salary/benefits, \$11,535 in associated costs). Onetime costs in FY26 of \$36,325 for equipment purchases.

FY27: 0.6 FTE LCB Enforcement Officer 2 - \$85,037/yr (\$71,195 salary/benefits, \$13,842 in associated costs).

FY28+: 0.1 FTE LCB Enforcement Officer 2 - \$14,174/yr (\$11,867 salary/benefits, \$2,307 in associated costs).

FY26: 0.2 FTE Program Specialist 3 - \$21,987/yr (\$20,911 salary/benefits, \$1,076 in associated costs).

FY27+: 0.3 FTE Program Specialist 3 - \$32,980/yr (\$31,366 salary/benefits, \$1,614 in associated costs).

There is also expected to be annual costs of \$22,312 to run out of state background checks.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
501-1	Liquor Revolving Account	State	448,428	643,816	1,092,244	741,906	631,906
Total \$			448,428	643,816	1,092,244	741,906	631,906

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

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	2.7	2.9	2.8	2.4	2.4
A-Salaries and Wages	195,394	211,727	407,121	336,742	336,742
B-Employee Benefits	74,572	80,561	155,133	129,178	129,178
C-Professional Service Contracts					
E-Goods and Other Services	138,452	342,793	481,245	272,116	162,116
G-Travel	6,800	7,560	14,360	2,520	2,520
J-Capital Outlays	33,210	1,175	34,385	1,350	1,350
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	448,428	643,816	1,092,244	741,906	631,906

**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 2026	FY 2027	2025-27	2027-29	2029-31
Customer Service Specialist 3	54,204	1.0	1.0	1.0	1.0	1.0
LCB Enforcement Officer 2	86,712	0.5	0.6	0.6	0.1	0.1
Program Specialist 3	76,608	0.2	0.3	0.3	0.3	0.3
Program Specialist 4	82,512	1.0	1.0	1.0	1.0	1.0
<b>Total FTEs</b>		2.7	2.9	2.8	2.4	2.4

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

Program	FY 2026	FY 2027	2025-27	2027-29	2029-31
Board Division (010)	95,000	303,000	398,000	202,000	92,000
Licensing Division (050)	213,097	200,487	413,584	400,974	400,974
Enforcement Division (060)	140,331	140,329	280,660	138,932	138,932
<b>Total \$</b>	448,428	643,816	1,092,244	741,906	631,906

**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.*



# Multiple Agency Ten-Year Analysis Summary

<b>Bill Number</b>	<b>Title</b>
1346 HB	Cannabis industry

This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

## Estimated Cash Receipts

Office of Attorney General	0	0	0	0	0	0	0	0	0	0	0
Office of Administrative Hearings	0	0	0	0	0	0	0	0	0	0	0
Department of Revenue	0	0	0	0	0	0	0	0	0	0	0
Liquor and Cannabis Board	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



# Ten-Year Analysis

<b>Bill Number</b> 1346 HB	<b>Title</b> Cannabis industry	<b>Agency</b> 100 Office of Attorney General
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

☒ **No Cash Receipts**      ☐ **Partially Indeterminate Cash Receipts**      ☐ **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code											
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Agency Preparation: Chad Standifer	Phone: 3605863650	Date: 1/30/2025 3:28:21 pm
Agency Approval: Joe Zawislak	Phone: 360-586-3003	Date: 1/30/2025 3:28:21 pm
OFM Review:	Phone:	Date:



# Ten-Year Analysis

<b>Bill Number</b> 1346 HB	<b>Title</b> Cannabis industry	<b>Agency</b> 110 Office of Administrative Hearings
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

☒ **No Cash Receipts**      ☐ **Partially Indeterminate Cash Receipts**      ☐ **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code											
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Agency Preparation: Pete Boeckel	Phone: 360-407-2730	Date: 1/24/2025 1:11:02 pm
Agency Approval: Rob Cotton	Phone: 360-407-2708	Date: 1/24/2025 1:11:02 pm
OFM Review:	Phone:	Date:



# Ten-Year Analysis

<b>Bill Number</b> 1346 HB	<b>Title</b> Cannabis industry	<b>Agency</b> 140 Department of Revenue
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

☒ **No Cash Receipts**      ☐ **Partially Indeterminate Cash Receipts**      ☐ **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code											
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Agency Preparation: Anna Yamada	Phone: 360-534-1519	Date: 1/24/2025 4:55:25 pm
Agency Approval: Marianne McIntosh	Phone: 360-534-1505	Date: 1/24/2025 4:55:25 pm
OFM Review:	Phone:	Date:





# Ten-Year Analysis

<b>Bill Number</b> 1346 HB	<b>Title</b> Cannabis industry	<b>Agency</b> 195 Liquor and Cannabis Board
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

☒ **No Cash Receipts**      ☐ **Partially Indeterminate Cash Receipts**      ☐ **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code											
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Agency Preparation: Aaron Hanson	Phone: 360-664-1701	Date: 1/31/2025 6:13:48 pm
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 1/31/2025 6:13:48 pm
OFM Review:	Phone:	Date: