

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5403 SB	<b>Title:</b> Direct cannabis sales
-----------------------------	-------------------------------------

## 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
Liquor and Cannabis Board	Non-zero but indeterminate cost and/or savings. Please see discussion.								
<b>Total \$</b>	0	0	0	0	0	0	0	0	0

## 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
Department of Revenue	.2	93,400	93,400	93,400	.0	0	0	0	.0	0	0	0
Liquor and Cannabis Board	14.3	0	0	3,513,332	13.2	0	0	3,065,398	13.2	0	0	3,065,398
<b>Total \$</b>	<b>14.5</b>	<b>93,400</b>	<b>93,400</b>	<b>3,606,732</b>	<b>13.2</b>	<b>0</b>	<b>0</b>	<b>3,065,398</b>	<b>13.2</b>	<b>0</b>	<b>0</b>	<b>3,065,398</b>

## Estimated Capital Budget Expenditures

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

## Estimated Capital Budget Breakout

<b>Prepared by:</b> Gwen Stamey, OFM	<b>Phone:</b> (360) 790-1166	<b>Date Published:</b> Final 2/ 7/2025
--------------------------------------	---------------------------------	---

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5403 SB	<b>Title:</b> Direct cannabis sales	<b>Agency:</b> 140-Department of Revenue
-----------------------------	-------------------------------------	--

## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Expenditures from:**

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.3		0.2		
<b>Account</b>					
GF-STATE-State 001-1	93,400		93,400		
<b>Total \$</b>	93,400		93,400		

**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: Marlon Llanes	Phone: 60-786-7423	Date: 01/23/2025
Agency Preparation: Erika Ferrara	Phone: 60-534-1517	Date: 01/24/2025
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/24/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 01/27/2025

Request # 5403-1-1

## 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 (LCB) issues business activity licenses for cannabis producers, processors, and retailers. Only licensed cannabis retailers can sell directly to consumers.

#### PROPOSAL:

This bill allows licensed cannabis producers and processors to sell cannabis flowers directly to consumers if sales are limited to flowers produced by the licensee and comply with specified limits. LCB can adopt rules for security and operations for these sales by processors.

#### EFFECTIVE DATE:

The bill takes effect 90 days after the final adjournment of the session.

### 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 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.*

#### ASSUMPTIONS:

This bill affects 2,300 cannabis producers and processors.

#### FIRST YEAR COSTS:

The department will incur total costs of \$93,400 in fiscal year 2026. These costs include:

Labor Costs – Time and effort equate to 0.34 FTEs.

- Answer additional phone calls and counter inquiries from businesses, individuals, and accountants regarding tax questions and tax return preparation.
- Set up, program, and test computer system changes.

Object Costs - \$58,200.

- Purchase one additional agent seat license for the Telephone Information Center.
- Print and mail additional taxpayer correspondence.
- Computer system changes, including contract programming.

#### ONGOING COSTS:

There are no ongoing costs.

## Part III: Expenditure Detail

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

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.3		0.2		
A-Salaries and Wages	21,500		21,500		
B-Employee Benefits	7,800		7,800		
C-Professional Service Contracts	56,000		56,000		
E-Goods and Other Services	6,800		6,800		
J-Capital Outlays	1,300		1,300		
<b>Total \$</b>	<b>\$93,400</b>		<b>\$93,400</b>		

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

Job Classification	Salary	FY 2026	FY 2027	2025-27	2027-29	2029-31
IT SYS ADM-JOURNEY	99,444	0.1		0.1		
TAX INFO SPEC 1	47,988	0.2		0.1		
TAX POLICY SP 2	80,460	0.0		0.0		
TAX POLICY SP 3	91,068	0.0		0.0		
WMS BAND 2	101,410	0.0		0.0		
<b>Total FTEs</b>		<b>0.3</b>		<b>0.2</b>		

### 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> 5403 SB	<b>Title:</b> Direct cannabis sales	<b>Agency:</b> 195-Liquor and Cannabis Board
-----------------------------	-------------------------------------	--

## 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 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	15.1	13.4	14.3	13.2	13.2
<b>Account</b>					
Liquor Revolving Account-State 501-1	1,954,011	1,559,321	3,513,332	3,065,398	3,065,398
<b>Total \$</b>	1,954,011	1,559,321	3,513,332	3,065,398	3,065,398

### 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: Marlon Llanes	Phone: 360-786-7423	Date: 01/23/2025
Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 01/29/2025
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 01/29/2025
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 02/07/2025

## 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 (Intent): The legislature intends to ensure a sustainable business ecosystem in the cannabis industry by allowing limited opportunities for the suppliers of cannabis retail licensees to better support themselves. The legislature does not intend to supplant or replace cannabis retail licensees by providing these limited opportunities.

Section 2: A new section is added to chapter 69.50 RCW to read as follows:

(1) Cannabis producers licensed under RCW 69.50.325 may sell cannabis flower directly to consumers only if sales are:

- (a) Limited to cannabis flower produced and processed by the licensee at the licensee's licensed location; and
- (b) In compliance with the limits of RCW 69.50.360.

(2) Cannabis processors licensed under RCW 69.50.325 may sell cannabis flower directly to consumers only if sales are:

- (a) Limited to cannabis flower produced within the licensed business entity; and
- (b) In compliance with the limits of RCW 69.50.360.

(3) The board may adopt rules on security and operational requirements for direct to consumer sales under this section, but any requirements adopted by rule may not be more stringent than those imposed on a cannabis retailer licensee.

(4) The board may adopt rules to implement this section.

Section 4: RCW 69.50.535

(1c): The tax levied in this section (37%) must be reflected in the price list, quoted shelf price, or in any advertising that includes prices for all cannabis flower sold directly to consumers under section 2 of this act.

### 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.*

Indeterminate cash receipts. While this bill allows for direct sale activity which is taxed at the 37% cannabis excise tax rate, it is unknown the volume of these sales and how much activity will be new sales as opposed to consumers buying product via direct sale from a cannabis producer rather than from retailers.

### 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 (PROJECT COSTS):

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 in FY 2025. There are change request costs associated with this legislation that will have to be submitted to the vendor or contracted out by the LCB. The estimated costs for these change requests is \$376,712 in FY26. Some examples of changes needed follow:

Vendor cost to implement: \$11,270 (98 hrs)

Requirements Elicitation Effort: 40 hrs x \$150/hr = \$6,000

Design, Build, Unit testing and deploy shadow and support: 49 hrs x \$392/hr = \$19,208

Replication reports: 98 hrs x \$150/hr = \$14,700

\*\*\*

## FINANCE DIVISION:

There are currently 954 cannabis licensees with a producer license. The agency estimates 80% of them would want to take advantage of the direct sales ability introduced in this legislation. Those licensees will be required to collect a 37% cannabis excise tax at the point of sale from consumers.

Considering this, the agency estimates a need for 5 Fiscal Analyst 2's, 1 Fiscal Analyst 3, and 1 Fiscal Analyst 5, to manage the increased workload associated with this legislation.

5.0 FTE Fiscal Analyst 2 - \$468,150/yr (\$433,500 salary/benefits, \$34,650 in associated costs). Onetime costs in FY26 of \$31,525 for equipment purchases.

1.0 FTE Fiscal Analyst 3 - \$105,069/yr (\$98,139 salary/benefits, \$6,930 in associated costs). Onetime costs in FY26 of \$6,305 for equipment purchases.

1.0 FTE Fiscal Analyst 5 - \$125,791/yr (\$118,861 salary/benefits, \$6,930 in associated costs). Onetime costs in FY26 of \$6,305 for equipment purchases.

In addition, the agency's internal audit group will need 2 additional auditors to perform the additional audits needed.

2.0 FTE Revenue Auditor 3 - \$271,364/yr (\$227,664 salary/benefits, \$43,700 in associated costs). Onetime costs in FY26 of \$5,650 for equipment purchases.

\*\*\*

## LICENSING DIVISION:

The agency anticipates 80% of the 954 producer licensees will take advantage of the direct sales ability.

Producers and producer/processors will need to increase security around a point of sale, and therefore will need to request an alteration. There is a possible increase in assumptions for processors owned under different entities who would like to take advantage of direct sales. The agency will continue to receive ongoing change requests anytime the licensee wants to update their facility.

FY26:

1.2 FTE Licensing Specialist - \$106,236/yr (\$99,780 salary/benefits, \$6,456 in associated costs). Onetime costs in FY26 of \$6,305 for equipment purchases.

0.3 FTE Customer Service Specialist 3 - \$23,935/yr (\$23,476 salary/benefits, \$459 in associated costs).

0.1 FTE Office Assistant 3 - \$5,820/yr (\$5,667 salary/benefits, \$153 in associated costs).

FY27+:

0.1 FTE Licensing Specialist - \$8,853/yr (\$8,315 salary/benefits, \$538 in associated costs).

\*\*\*

## ENFORCEMENT DIVISION:

The Washington State Liquor and Cannabis Board ("Board") keeps detailed statistics on all of its enforcement activities and tracks this activity using a unit of measure called a Field Increment (FI). All direct enforcement activities such as premise checks, inspections and investigations are tracked to determine how many FI's are needed to accomplish each activity. Each FI is equivalent to 1/10th of an hour (6 minutes). For example, if a tavern premise check takes 2 FI's and two

officers, it is anticipated that one check will consume 4 FI's. Using historical data to factor out indirect activities such as driving time, training, office time and leave, it has been determined that officers are available for an average of 4,220 FI's each year.

The agency anticipates increased workload as a result of this bill from compliance checks, premise checks, support and education, notices to correct, and investigations. Please see the attached "5403 SB Cannabis direct sales - Enforcement Field Increment Calculator.pdf" for the workload calculations.

FY26:  
 2.7 FTE LCB Enforcement Officer 2 - \$382,661/yr (\$320,372 salary/benefits, \$62,289 in associated costs). Onetime costs in FY26 of \$108,975 for equipment purchases.  
 1.8 FTE Administrative Regulations Analyst 3 - \$224,052/yr (\$182,526 salary/benefits, \$41,526 in associated costs). Onetime costs in FY26 of \$24,690 for equipment purchases.

FY27:  
 2.6 FTE LCB Enforcement Officer 2 - \$368,489/yr (\$308,507 salary/benefits, \$59,982 in associated costs).  
 1.7 FTE Administrative Regulations Analyst 3 - \$211,605/yr (\$172,386 salary/benefits, \$39,219 in associated costs).

FY28+:  
 2.5 FTE LCB Enforcement Officer 2 - \$354,315/yr (\$296,640 salary/benefits, \$57,675 in associated costs).  
 1.6 FTE Administrative Regulations Analyst 3 - \$199,157/yr (\$162,245 salary/benefits, \$36,912 in associated costs).

**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	1,954,011	1,559,321	3,513,332	3,065,398	3,065,398
<b>Total \$</b>			1,954,011	1,559,321	3,513,332	3,065,398	3,065,398

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

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	15.1	13.4	14.3	13.2	13.2
A-Salaries and Wages	1,106,068	1,004,072	2,110,140	1,974,708	1,974,708
B-Employee Benefits	403,917	363,300	767,217	716,020	716,020
C-Professional Service Contracts					
E-Goods and Other Services	223,696	103,294	326,990	202,800	202,800
G-Travel	84,600	80,580	165,180	156,120	156,120
J-Capital Outlays	135,730	8,075	143,805	15,750	15,750
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	1,954,011	1,559,321	3,513,332	3,065,398	3,065,398



**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 Regulations Analyst 3	80,460	1.8	1.7	1.8	1.6	1.6
Customer Service Specialist 3	54,204	0.3		0.2		
Fiscal Analyst 2	61,404	5.0	5.0	5.0	5.0	5.0
Fiscal Analyst 3	71,148	1.0	1.0	1.0	1.0	1.0
Fiscal Analyst 5	88,800	1.0	1.0	1.0	1.0	1.0
LCB Enforcement Officer 2	86,712	2.7	2.6	2.7	2.5	2.5
Licensing Specialist	58,380	1.2	0.1	0.7	0.1	0.1
Office Assistant 3	47,988	0.1		0.1		
Revenue Auditor 3	84,516	2.0	2.0	2.0	2.0	2.0
<b>Total FTEs</b>		15.1	13.4	14.3	13.2	13.2

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

Program	FY 2026	FY 2027	2025-27	2027-29	2029-31
Board Division (010)	51,178		51,178		
Finance Division (020)	1,020,159	970,374	1,990,533	1,940,748	1,940,748
Licensing Division (050)	142,296	8,853	151,149	17,706	17,706
Enforcement Division (060)	740,378	580,094	1,320,472	1,106,944	1,106,944
<b>Total \$</b>	1,954,011	1,559,321	3,513,332	3,065,398	3,065,398

**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

NA

**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 2(4) The board may adopt rules to implement this section.

**Enforcement Field Increment (FI) Calculator**

**5403 SB "Cannabis direct sales" (FY26)**

	Number of events	Time Factor	Staffing Factor	Officer	Consultant
Cannabis Compliance Check	763	3	2	4578	
Cannabis Premises Check	252	5	1.3	818	818
Non RVP Member Support and Education	572	7	1.3	2604	2604
Cannabis Compliance Check Failure	38	5	2	382	
Notice to Correct	114	10	1		1145
Complaint Investigations Cannabis	76	60	1.3	2976	2976

Factors	Values
License Count	763
Cannabis Compliance Check	763
Cannabis Premises Check	33%
Non RVP Member Support and Education	75%
Cannabis Compliance Check Failure	5%
Notice to Correct	15%
Complaint Investigations Cannabis	10%

<b>Total FI's</b>	<b>11,357</b>	<b>7,542</b>
Total Field Increments per FTE	4,220	4,220
FTE's required	2.69	1.79
<b>Round</b>	<b>2.70</b>	<b>1.80</b>

**FY27**

	Number of events	Time Factor	Staffing Factor	Officer	Consultant
Cannabis Compliance Check	763	3	2	4578	
Cannabis Premises Check	229	5	1.3	744	744
Non RVP Member Support and Education	496	7	1.3	2257	2257
Cannabis Compliance Check Failure	38	5	2	382	
Notice to Correct	114	10	1		1145
Complaint Investigations Cannabis	76	60	1.3	2976	2976

Factors	Values
License Count	763
Cannabis Compliance Check	763
Cannabis Premises Check	30%
Non RVP Member Support and Education	65%
Cannabis Compliance Check Failure	5%
Notice to Correct	15%
Complaint Investigations Cannabis	10%

<b>Total FI's</b>	<b>10,936</b>	<b>7,121</b>
Total Field Increments per FTE	4,220	4,220
FTE's required	2.59	1.69
<b>Round</b>	<b>2.60</b>	<b>1.70</b>

**FY28**

	Number of events	Time Factor	Staffing Factor	Officer	Consultant
Cannabis Compliance Check	763	3	2	4578	
Cannabis Premises Check	191	5	1.3	620	620
Non RVP Member Support and Education	458	7	1.3	2083	2083
Cannabis Compliance Check Failure	38	5	2	382	
Notice to Correct	114	10	1		1145
Complaint Investigations Cannabis	76	60	1.3	2976	2976

Factors	Values
License Count	763
Cannabis Compliance Check	763
Cannabis Premises Check	25%
Non RVP Member Support and Education	60%
Cannabis Compliance Check Failure	5%
Notice to Correct	15%
Complaint Investigations Cannabis	10%

<b>Total FI's</b>	<b>10,638</b>	<b>6,823</b>
Total Field Increments per FTE	4,220	4,220
FTE's required	2.52	1.62
<b>Round</b>	<b>2.50</b>	<b>1.60</b>

**FY29**

	Number of events	Time Factor	Staffing Factor	Officer	Consultant
Cannabis Compliance Check	763	3	2	4578	
Cannabis Premises Check	252	5	1.3	818	818
Non RVP Member Support and Education	420	7	1.3	1909	1909
Cannabis Compliance Check Failure	38	5	2	382	
Notice to Correct	114	10	1		1145
Complaint Investigations Cannabis	57	60	1.3	2232	2232

Factors	Values
License Count	763
Cannabis Compliance Check	763
Cannabis Premises Check	33%
Non RVP Member Support and Education	55%
Cannabis Compliance Check Failure	5%
Notice to Correct	15%
Complaint Investigations Cannabis	8%

<b>Total FI's</b>	<b>9,919</b>	<b>6,104</b>
Total Field Increments per FTE	4,220	4,220
FTE's required	2.35	1.45
<b>Round</b>	<b>2.50</b>	<b>1.60</b>