

Individual State Agency Fiscal Note

Bill Number: 1884 HB	Title: Cannabis regulation	Agency: 195-Liquor and Cannabis Board
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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.

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Part II: Narrative Explanation

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

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

Sec. 2. RCW 69.50.562 and 2022 c 16 s 106 are each amended to read as follows:

(1) The board must prescribe procedures for the following:

(a) The establishment, within existing resources, and through a collaborative public process including outreach to the regulated cannabis industry, of a hierarchy of enforcement priorities to guide the board's enforcement of this chapter and the board's rules implementing this chapter. The highest enforcement priority in the hierarchy must be placed on youth prevention and prevention of inversion and diversion of cannabis and cannabis products into and out of Washington's cannabis market. The hierarchy must place less emphasis on enforcement of administrative violations that are not the highest enforcement priority;

(e) The convening of a meeting of impacted parties, within existing resources, and no later than 20 business days before the effective date of any significant legislative rule, as defined in RCW 34.05.328, in order to:

(i) Identify ambiguities and remaining areas of concern in the rule;

(ii) coordinate education and public relations efforts by all parties;

(iii) provide comments regarding internal board training and enforcement plans; and

(iv) provide comments regarding appropriate evaluation mechanisms to determine the effectiveness of the new rule. The meeting must include a balanced representation of licensees impacted, board personnel, and other agencies or key stakeholder groups as determined by the board. An existing advisory committee may be used if appropriate.

Sec. 3. RCW 69.50.345 and 2023 c 220 s 5 are each amended to read as follows:

The board, subject to the provisions of this chapter, must adopt rules that establish the procedures and criteria necessary to implement the following:

(13) A review of the board's rules regulating cannabis production, processing, sales, and other cannabis activities, to be initiated by rule making by October 1, 2025, within existing resources, to eliminate or appropriately modify rules found to:

(a) Create an undue administrative burden on licensees after considering the relation and effectiveness of the rule to preventing youth access, the inversion and diversion of cannabis and cannabis products into and out of Washington's cannabis market, or furthering public safety efforts;

(b) Duplicate areas of enforcement delegated to local control in other legal industries;

(c) Have previously resulted in documented inconsistent or contradictory enforcement by board representatives;

(d) Duplicate authority granted by the legislature to other agencies, including with respect to the accreditation of independent, third-party testing laboratories by the department of agriculture under RCW 69.50.348; or

(e) Require business practices of license holders unrelated to youth access, the prevention of inversion and diversion of cannabis and cannabis products into and out of Washington's cannabis market, or public safety efforts including, but not limited to, requiring licensees or employees to use physical sign-in sheets and name tags.

NEW SECTION. Sec. 5. A new section is added to chapter 69.50 RCW to read as follows:

(1) The board must regularly audit the data in the cannabis central reporting system to identify outliers or anomalies in data for inconsistencies in reporting, for the purposes of identifying locations where either or both of the following activities are occurring in violation of this chapter, and undertaking enforcement to prevent their occurrence:

(a) Inversion of cannabis or cannabis products into the regulated cannabis system involving a person licensed under RCW 69.50.325 as a cannabis producer, processor, or retailer, purchasing or obtaining cannabis or cannabis products from an unauthorized person or source; or

(b) Diversion of cannabis or cannabis products out of the regulated cannabis system involving a person licensed under RCW 69.50.325 as a cannabis producer, processor, or retailer, selling or transferring cannabis or cannabis products to an unauthorized person or recipient.

(2) In addition to data in the cannabis central reporting system including reports of sales of cannabis and cannabis products, for the purpose of administering this section and preventing inversion and diversion of cannabis and cannabis products, the board may also consider and compare any books and records of cannabis licensees that the board has authority to inspect under this chapter and shall also consider and compare the following data or information:

(a) The status of a cannabis license issued by the board and whether it is active and valid or whether it has been suspended, revoked, canceled, or has otherwise not been active and valid during any applicable time;

(b) The status of a business license issued by the department of revenue and whether it is active and valid or whether it has been suspended, revoked, canceled, or has otherwise not been active and valid during any applicable time; and

(c) If the board suspects inversion or diversion activities by a licensee, the board may require the licensee to submit the following for inspection:

(i) Water utility billing records;

(ii) Electricity and natural gas billing records;

(iii) Filings and reports related to taxes or business activity submitted to the department of revenue.

(3) For purposes of this section, "cannabis central reporting system" means the system used by the board for the reporting of events or information submitted by or on behalf of cannabis licensees and certified laboratories to the board, as required by the board.

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.

No fiscal impact. The bill directs the Board to implement this legislation within existing resources. Section 5 of the bill requires the Board to regularly audit the data in the cannabis central reporting system. This work is already being done as part of current process.

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.