

Multiple Agency Fiscal Note Summary

Bill Number: 1940 HB	Title: 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 Administrative Hearings	0	0	2,017,000	0	0	201,000	0	0	0
Liquor and Cannabis Board	0	0	31,950	0	0	0	0	0	0
Total \$	0	0	2,048,950	0	0	201,000	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
Joint Legislative Audit and Review Committee	.0	0	0	15,100	.0	0	0	10,200	.0	0	0	10,200
Office of Administrative Hearings	6.5	0	0	2,017,000	.6	0	0	201,000	.0	0	0	0
Department of Revenue	.9	380,200	380,200	380,200	.0	0	0	0	.0	0	0	0
Liquor and Cannabis Board	1.2	0	0	375,139	1.2	0	0	368,834	1.2	0	0	368,834
Total \$	8.6	380,200	380,200	2,787,439	1.8	0	0	580,034	1.2	0	0	379,034

Estimated Capital Budget Expenditures

Agency Name	2025-27			2027-29			2029-31		
	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 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
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2025-27			2027-29			2029-31		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total

Estimated Capital Budget Breakout

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Prepared by: Val Terre, OFM	Phone: (360) 280-3073	Date Published: Final 3/31/2025
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Individual State Agency Fiscal Note

Revised

Bill Number: 1940 HB	Title: Cannabis industry	Agency: 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 2026	FY 2027	2025-27	2027-29	2029-31
Account					
Performance Audits of Government Account-State 553-1	10,000	5,100	15,100	10,200	10,200
Total \$	10,000	5,100	15,100	10,200	10,200

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: 02/11/2025
Agency Preparation: ALINE MEYSONNAT	Phone: 360-786-5281	Date: 02/19/2025
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 02/19/2025
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 02/20/2025

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.

HB 1940 creates a new B&O tax exemption for cannabis producers, processors, and retailers licensed by the Liquor and Cannabis Board through the cannabis social equity program.

The preference expires July 1, 2038.

Tax Preference Performance Statement Details

The Legislature categorizes the tax preference as one intended to provide tax relief for certain businesses or individuals.

The Legislature's specific public policy objective to provide this tax preference to taxpayers who are cannabis producers, processors, and retailers licensed under the cannabis social equity program.

The tax preference performance statement does not provide specific metrics for the JLARC evaluation.

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.

After the bill is signed, JLARC staff will work with the Department of Revenue, the Washington State Liquor and Cannabis Board and relevant agencies to identify the data JLARC staff will need to complete the evaluation.

JLARC anticipates it will review this preference in 2036, with preliminary work beginning July, 2035.

This is outside the range of this fiscal note. As a result, the fiscal note reflects the costs to prepare for the future review (e.g., establishing data collection). It does not include the costs of performing the full review.

- Without specific metrics for the evaluation, JLARC staff anticipate the review will be limited to evaluating beneficiaries and the amount of tax relief they realize through beneficiary savings.
- LCB reported on February 10, 2025 that 9 licenses have been issued through the social equity program to date, and that a further 33 licenses are being processed.

JLARC assumes the cost to complete the audit will be only staff costs. JLARC estimates this audit will take 14 months and require an average of 0.1 FTEs per month. This equates to total staff costs of about \$35,500.

JLARC assumes that the office will absorb the staff costs of this tax preference review in our base budget. However, if the workload of other tax preference legislation exceeds our staffing levels and/or our base budget, we will require additional staffing resources equal to the costs shown above.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
553-1	Performance Audits of Government Account	State	10,000	5,100	15,100	10,200	10,200
Total \$			10,000	5,100	15,100	10,200	10,200

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years					
A-Salaries and Wages	6,500	3,300	9,800	6,600	6,600
B-Employee Benefits	2,100	1,000	3,100	2,000	2,000
C-Professional Service Contracts					
E-Goods and Other Services	1,300	700	2,000	1,400	1,400
G-Travel	100	100	200	200	200
J-Capital Outlays					
Total \$	10,000	5,100	15,100	10,200	10,200

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
Research Analyst	139,776					
Support staff	110,556					
Total FTEs						0.0

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

Bill Number: 1940 HB	Title: Cannabis industry	Agency: 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	939,000	1,078,000	2,017,000	201,000	
Total \$	939,000	1,078,000	2,017,000	201,000	

Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	6.0	6.9	6.5	0.7	0.0
Account					
Administrative Hearings Revolving Account-State 484-1	939,000	1,078,000	2,017,000	201,000	0
Total \$	939,000	1,078,000	2,017,000	201,000	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: 02/11/2025
Agency Preparation: Pete Boeckel	Phone: 360-407-2730	Date: 03/26/2025
Agency Approval: Rob Cotton	Phone: 360-407-2708	Date: 03/26/2025
OFM Review: Val Terre	Phone: (360) 280-3073	Date: 03/31/2025

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(1)(b) removes the residency requirements for the issuance of licenses.

Section 3(c) allows for the Liquor & Cannabis Board to deny a license or license renewal if the board is unable to investigate a nonresident for licensure or license renewal, after making a reasonable effort to do so. These two changes create a new pool of applicants and new reasons to deny or revoke licenses which will create appealing issues referred to the Office of Administrative Hearings.

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 estimates that the proposed legislation will result in new appeals being referred to the Office of Administrative Hearings (OAH) per fiscal year beginning in FY 2026.

FY2026: 197 new appeals

FY2027: 226 new appeals

FY2028: 42 new 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: 2.81 ALJ, 0.42 SALJ, 0.42 LALJ, 1.69 LA2 and 0.70MA5. The total cost is rounded to \$939,000.

FY 2027: 3.23 ALJ, 0.48 SALJ; 0.48 LALJ; 1.94 LA2 and 0.81 MA5. The total cost is rounded to \$1,078,000.
 FY 2028: 0.60 ALJ, 0.09 SALJ; 0.09 LALJ; 0.36 LA2 and 0.158 MA5. The total cost is rounded to \$201,000.
 FY 2029 and each FY thereafter: No fiscal impact.

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	939,000	1,078,000	2,017,000	201,000	0
Total \$			939,000	1,078,000	2,017,000	201,000	0

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	6.0	6.9	6.5	0.7	
A-Salaries and Wages	589,000	677,000	1,266,000	126,000	
B-Employee Benefits	186,000	213,000	399,000	40,000	
C-Professional Service Contracts					
E-Goods and Other Services	151,000	174,000	325,000	32,000	
G-Travel	6,000	6,000	12,000	1,000	
J-Capital Outlays	7,000	8,000	15,000	2,000	
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	939,000	1,078,000	2,017,000	201,000	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	2.8	3.2	3.0	0.3	
Lead ALJ	122,496	0.4	0.5	0.5	0.1	
Legal Assistant 2	55,584	1.7	1.9	1.8	0.2	
Management Analyst 5	98,040	0.7	0.8	0.8	0.1	
Senior Administrative Law Judge	131,880	0.4	0.5	0.5	0.1	
Total FTEs		6.0	6.9	6.5	0.7	0.0

III. D - Expenditures By Program (optional)

Program	FY 2026	FY 2027	2025-27	2027-29	2029-31
Regulatory & Education (0)	939,000	1,078,000	2,017,000	201,000	
Total \$	939,000	1,078,000	2,017,000	201,000	

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

Bill Number: 1940 HB	Title: Cannabis industry	Agency: 140-Department of Revenue
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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	1.4	0.5	0.9		
Account					
GF-STATE-State 001-1	301,800	78,400	380,200		
Total \$	301,800	78,400	380,200		

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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- 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: 603-786-7127	Date: 02/11/2025
Agency Preparation: Van Huynh	Phone: 603-534-1512	Date: 02/14/2025
Agency Approval: Valerie Torres	Phone: 603-534-1521	Date: 02/14/2025
OFM Review: Megan Tudor	Phone: (603) 890-1722	Date: 02/18/2025

Request # 1940-1-1

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.

This fiscal note only addresses section 4 of the bill, which impacts the Department of Revenue (department).

CURRENT LAW:

No business and occupation (B&O) tax exemptions exist for cannabis businesses.

PROPOSAL:

This bill provides a B&O tax exemption for cannabis producers, processors, or retailers who will obtain licenses with the Liquor and Cannabis Board (LCB) under the Cannabis Social Equity program.

The exemption begins when the licensee exceeds \$5,000 in sales and lasts for five years.

The tax exemption expires July 1, 2038.

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.

The revenue impact of this bill is indeterminate because of the lack of data or information on cannabis licensing issuances under the Cannabis Social Equity program.

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 legislation will affect 160 or more taxpayers approved by the LCB under the Cannabis Social Equity program.

FIRST YEAR COSTS:

The department will incur total costs of \$301,800 in fiscal year 2026. These costs include:

- Labor Costs – Time and effort equate to 1.37 FTEs.
- Set up, program, and test computer systems to create one new B&O tax deduction.
- Create a new LCB endorsement and flag to identify accounts that qualify for exemption.
- Create special notice and update relevant information on the department’s website.
- Assist taxpayers with reporting questions, and respond to secure messages, correspondence, and phone calls.
- Resolve returns in error, work amended returns, refunds, and assessments.
- Examine accounts and make corrections as necessary.
- Respond to data requests and questions, compile statistics, and manage data.
- Meet with tribes with revenue-sharing compact agreements to discuss changes that would be appropriate to preserve the intended benefits of the negotiated compact.

Object Costs - \$109,100.

- Contract computer system programming.
- Travel expenses for meetings with compacting tribes.

SECOND YEAR COSTS:

The department will incur total costs of \$78,400 in fiscal year 2027. These costs include:

Labor Costs – Time and effort equate to 0.5 FTE.

- Assist taxpayers with reporting questions, and respond to secure messages, correspondence, and phone calls.
- Resolve returns in error, work amended returns, refunds, and assessments.
- Examine accounts and make corrections as necessary.
- Respond to data requests and questions, compile statistics, and manage data.
- Meet with tribes with revenue-sharing compact agreements to discuss changes that would be appropriate to preserve the intended benefits of the negotiated compact.

Object Costs - \$9,800.

- Travel expenses for meetings with compacting tribes.

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	1.4	0.5	0.9		
A-Salaries and Wages	122,700	44,300	167,000		
B-Employee Benefits	44,200	16,000	60,200		
C-Professional Service Contracts	70,000		70,000		
E-Goods and Other Services	20,400	7,300	27,700		
G-Travel	39,100	9,800	48,900		
J-Capital Outlays	5,400	1,000	6,400		
Total \$	\$301,800	\$78,400	\$380,200		

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
EXCISE TAX EX 2	59,844	0.2	0.1	0.2		
IT B A-JOURNEY	94,728	0.3		0.2		
IT SYS ADM-JOURNEY	99,444	0.1		0.1		
MGMT ANALYST4	78,468	0.2	0.1	0.2		
TAX POLICY SP 2	80,460	0.0		0.0		
TAX POLICY SP 3	91,068	0.1	0.1	0.1		
TAX POLICY SP 4	98,040	0.2	0.1	0.2		
WMS BAND 2	101,410	0.0		0.0		
WMS BAND 3	115,352	0.2	0.1	0.2		
Total FTEs		1.4	0.5	0.9		

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

Bill Number: 1940 HB	Title: Cannabis industry	Agency: 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
Dedicated Cannabis Account-State 315-1	31,950		31,950		
Total \$	31,950		31,950		

Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	1.2	1.2	1.2	1.2	1.2
Account					
Liquor Revolving Account-State 501-1	190,722	184,417	375,139	368,834	368,834
Total \$	190,722	184,417	375,139	368,834	368,834

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: Peter Clodfelter	Phone: 360-786-7127	Date: 02/11/2025
Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 02/19/2025
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 02/19/2025
OFM Review: Val Terre	Phone: (360) 280-3073	Date: 02/20/2025

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 (1)(b) of the bill eliminates the in-state residency requirement to obtain a cannabis license.

Section 3 (1)(c) 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.

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.

Section 3 (1)(b) of the bill eliminates the in-state residency requirement to obtain a cannabis license.

Section 3 (1)(c) 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.

The agency currently has 1,703 total cannabis licenses according to the January 2025 Licensing Division Update. It is assumed that 25 percent (426) would make changes to add nonresidents to their license. Cash receipts from change requests (\$75 per CR) would total \$31,950 in FY26.

It is unknown if the Board would impose additional licensing fees to recover additional costs.

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.

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 workload impact of 0.2 FTE LEO2 ongoing. Please see the attached "1940 HB Out of state ownership - Enforcement Field Increment Calculator.pdf" for the workload calculations.

0.2 FTE LCB Enforcement Officer 2 - \$28,346/yr (\$23,732 salary/benefits, \$4,614 in associated costs)

An additional Program Specialist 3 (PS3) will be needed to perform the out of state background checks.

1.0 FTE Program Specialist 3 - \$109,929/yr (\$104,549 salary/benefits, \$5,380 in associated costs). Onetime costs in FY26

of \$6,305 for equipment purchases.

Added costs for out-of-state background checks: \$46,142/year.

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	190,722	184,417	375,139	368,834	368,834
Total \$			190,722	184,417	375,139	368,834	368,834

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31	
FTE Staff Years	1.2	1.2	1.2	1.2	1.2	
A-Salaries and Wages	93,951	93,951	187,902	187,902	187,902	
B-Employee Benefits	34,330	34,330	68,660	68,660	68,660	
C-Professional Service Contracts						
E-Goods and Other Services	53,271	53,166	106,437	106,332	106,332	
G-Travel	2,520	2,520	5,040	5,040	5,040	
J-Capital Outlays	6,650	450	7,100	900	900	
M-Inter Agency/Fund Transfers						
N-Grants, Benefits & Client Services						
P-Debt Service						
S-Interagency Reimbursements						
T-Intra-Agency Reimbursements						
9-						
Total \$		190,722	184,417	375,139	368,834	368,834

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
LCB Enforcement Officer 2	86,712	0.2	0.2	0.2	0.2	0.2
Program Specialist 3	76,608	1.0	1.0	1.0	1.0	1.0
Total FTEs		1.2	1.2	1.2	1.2	1.2

III. D - Expenditures By Program (optional)

Program	FY 2026	FY 2027	2025-27	2027-29	2029-31
Enforcement Division (060)	190,722	184,417	375,139	368,834	368,834
Total \$		190,722	184,417	375,139	368,834

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.

Enforcement Field Increment (FI) Calculator

1940 HB "Out of state ownership"

	Number of events	Time Factor	Staffing Factor	FI Total	Officer	Consultant
Complex Investigations	12	40	1.3	624	624	

<u>Factors</u>	<u>Values</u>
Complex Investigations (# per year)	12

Total FI's	624	624	0
Total Field Increments per FTE	4,220	4,220	4,220
FTE's required	0.15	0.15	0.00
Round	0.20	0.20	0.00



Multiple Agency Ten-Year Analysis Summary

Bill Number 1940 HB	Title Cannabis industry
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This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

Estimated Cash Receipts

Joint Legislative Audit and Review Committee	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 Indeterminate Impact	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0



Ten-Year Analysis

Bill Number 1940 HB	Title Cannabis industry	Agency 014 Joint Legislative Audit and Review Committee
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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												
---------------------------	------------------	--	--	--	--	--	--	--	--	--	--	--	--

Agency Preparation: ALINE MEYSONNAT	Phone: 360-786-5281	Date: 2/19/2025 4:34:06 pm
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 2/19/2025 4:34:06 pm
OFM Review: Val Terre	Phone: (360) 280-3073	Date: 2/20/2025 7:11:22 pm



Ten-Year Analysis

Bill Number 1940 HB	Title Cannabis industry	Agency 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												
---------------------------	------------------	--	--	--	--	--	--	--	--	--	--	--	--

Agency Preparation: Pete Boeckel	Phone: 360-407-2730	Date: 3/26/2025 9:58:33 am
Agency Approval: Rob Cotton	Phone: 360-407-2708	Date: 3/26/2025 9:58:33 am
OFM Review: Val Terre	Phone: (360) 280-3073	Date: 2/20/2025 7:11:22 pm



Ten-Year Analysis

Bill Number 1940 HB	Title Cannabis industry	Agency 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

Estimated Cash Receipts

Name of Tax or Fee	Acct Code												
Total													

Biennial Totals

Agency Preparation: Van Huynh	Phone: 360-534-1512	Date: 2/14/2025 4:07:53 pm
Agency Approval: Valerie Torres	Phone: 360-534-1521	Date: 2/14/2025 4:07:53 pm
OFM Review: Val Terre	Phone: (360) 280-3073	Date: 2/20/2025 7:11:22 pm



Ten-Year Analysis

Bill Number 1940 HB	Title Cannabis industry	Agency 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

Estimated Cash Receipts

Name of Tax or Fee	Acct Code											
Total												

Biennial Totals

Narrative Explanation (Required for Indeterminate Cash Receipts)

Section 3 (1)(b) of the bill eliminates the in-state residency requirement to obtain a cannabis license.

Section 3 (1)(c) 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.

It is unknown if the Board would impose additional licensing fees to recover additional costs.

Therefore this analysis is INDETERMINATE.

Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 2/19/2025 9:44:08 am
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 2/19/2025 9:44:08 am
OFM Review: Val Terre	Phone: (360) 280-3073	Date: 2/20/2025 7:11:22 pm