



Washington State
Liquor and Cannabis Board

A map of Washington State is shown with a scenic collage of the state's natural beauty. The collage includes a rugged coastline with waves crashing against rocks, a majestic snow-capped mountain peak, and rolling green hills under a bright sky. The text 'Annual Report' and 'Fiscal Year 2022' is overlaid on the map.

Annual Report

Fiscal Year 2022

lcb.wa.gov

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Cover: In FY 2022, the LCB updated the Topics and Trends quarterly newsletters for licensees. The changes improved the publication's readability and design. Licensees were surveyed about topics they would like to know more about and the agency is working to incorporate feedback from stakeholders into the publication.

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Washington State Liquor and Cannabis Board

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Message from the Board

Engaging with Community: Improving Regulatory Environment Through Innovative Outreach

It is our pleasure to present to you the Fiscal Year 2022 Liquor and Cannabis Board (LCB) Annual Report. This report details the agency's accomplishments and operations from July 1, 2021 through June 30, 2022.

In recent years, the Board and staff of the agency sought new ways to reach and engage a wide range of stakeholders. From our licensed businesses, legislative and community officials, or public health stakeholders, we've added ways to interact with us. Here are a few of our new efforts:

Virtual Board Meetings. A benefit of COVID's impact was the need for the Board to hold "virtual" meetings. People from across the state can now join meetings online and provide direct feedback to the Board and agency staff without traveling to Olympia. While virtual meetings began out of necessity, we'll continue offering them as an ongoing way to increase public participation in our processes.

Rule and Policy Development. The agency also greatly expanded its rule and policy development engagement with stakeholders. The Rules team evolved the "deliberative dialogues" hosted during rulemaking to a more inclusive ["World Café" model](#). The agency held sessions this year to discuss cannabis canopy and also formed a Cannabinoid Science Workgroup to keep abreast of rapidly changing issues related to cannabinoids.

PEAR Social Equity. This year the agency hired its first Diversity, Equity and Inclusion Manager, in part to lead our contributions to the state's Pro-Equity, Anti-Racism (PEAR) effort. They will focus on ensuring we are an equitable, racially just, and accessible employer where employees feel a sense of belonging, and strengthening external relationships. Community members will be chosen to join the team to add important voices to our diversity, equity and inclusion efforts.

Social Equity in Cannabis. In preparation for the 2023 launch of a Social Equity in Cannabis Program, the LCB and Board held listening sessions to hear from community members disproportionately harmed by the war on drugs. Board members were active with the Social Equity in Cannabis Task Force and engaged minority-owned businesses to increase communication and understanding. These efforts will expand as the program nears.

An organization's relationships with its stakeholders impacts its ability to achieve its goals. The Board plays an important role in stakeholder engagement as a critical aspect of good governance. The heart of engagement is the acknowledgement that organizations are impacted by, and have an impact on, those with whom they interact. As 2023 approaches, we look forward to continuing our outreach with community partners.



David Postman
Board Chair



Ollie Garrett
Board Member



Jim Vollendroff
Board Member



Rick Garza
Director

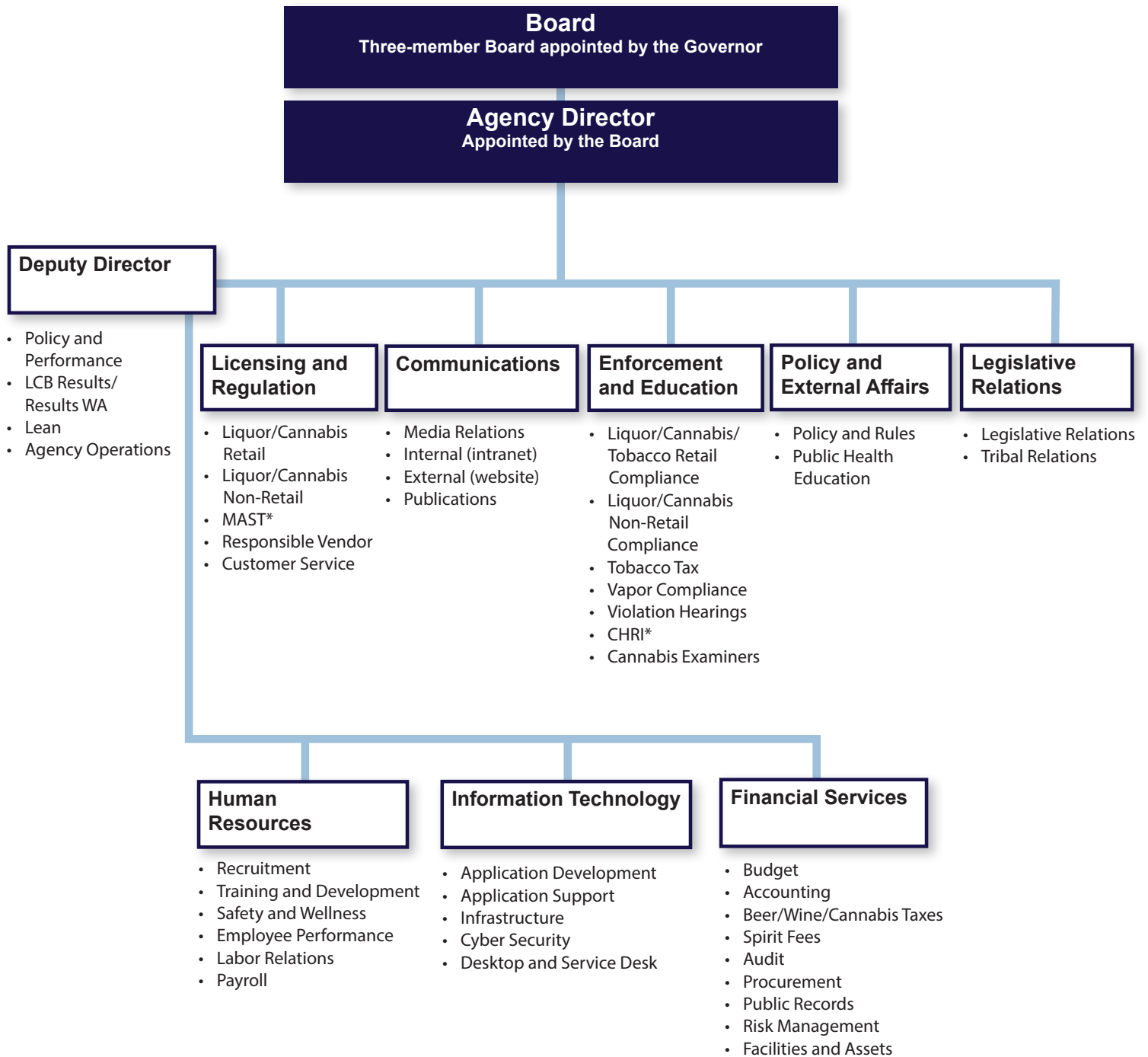
Board and Director Biographies

David Postman, Board Chair

David Postman, of Olympia, was appointed as Board Chair effective March 15, 2021. Prior to his appointment, David served as Gov. Inslee's chief of staff from Dec. 2015 until Nov. 15, 2020. He served in the Inslee administration since the governor took office in 2013, beginning as the executive director of communications.

Before joining the Inslee administration, David served as a senior director at Vulcan Inc., the company headed by Microsoft co-founder Paul Allen. David has a 26-year career as an award-winning journalist in Oregon, Alaska and Washington, including 14 years working as a political reporter for The Seattle Times.

Organizational Structure



*MAST: Mandatory Alcohol Server Training
*CHRI: Criminal History Records Information

Enforcement and Education

Enforcement and Education Division

The Enforcement and Education Division provides public safety and strives for consistency in the approach to educating licensees and enforcing state law as it pertains to liquor, tobacco, vapor, and cannabis products. Enforcement and Education staff also provide support and consultation to industry members, community stakeholders, other state agencies, and local law enforcement agencies.

FY 2022 Staffing Chart

Director	1
Deputy Chiefs	2
Captains	7
Lieutenants	24
Officers	101
Compliance Consultants	13
Examiner Manager	1
Chemist	1
Examiners	4
Evidence Coordinator	1
Hearing Officer	1
Management Analysts	2
Program Manager	1
Criminal Records Coordinators	2
Support Staff	10
Education Manager	1
Advertising Coordinator	1
Program Specialists	3
Inspectors	6
Investigative Aides	3
Total Staff	185

Number of Licenses*	FY 2021	FY 2022
Liquor	18,395	18,657
Cannabis	1,821	1,796
Tobacco	5,961	5,836
Vapor	3,973	3,981

*One location may hold multiple licenses

Liquor Unit	Officers
Northwest	17
Southwest	20
East	17
Central	17
MIW Unit	7

Cannabis Unit	Officers	Consultants
West	14	8
East	12	5

Tobacco Tax Unit	Officers
Statewide Unit	13

Vapor Unit	Officers
Statewide Unit	6

Vacancies as of June 30, 2022

Officers	33
Lieutenants	3
Examiners	2
Total	38

Enforcement and Education

Hiring and Recruiting

The Enforcement and Education Recruiting Team is made up of nine staff from various Enforcement and Education units across the state. This team works together to identify recruiting needs, develop recruiting materials and coordinate event attendance at job fairs. In FY 2022, this team produced a [recruitment video](#) as a new way to advertise position openings.

Division staff involved in recruitment and hiring work with LCB Human Resources to ensure the agency hires highly qualified and skilled personnel. They use Public Safety Testing (PST) for the candidate background review. They also coordinate position advertisements and strive for diverse interview panels. In FY 2022, they worked to update and distribute recruiting flyers.

Hiring and Recruiting Efforts	FY 2022
Recruiting events attended	18
Interviews conducted	163
*PST backgrounds completed	49
Staff hired	23

**PST backgrounds are for Law Enforcement Officers only*



Recruiting event summer 2022



At graduation, Officer Cunningham, Director Brady and Officer Locke

Enforcement and Education Approach

The Enforcement and Education Division uses a variety of tools to support licensees so they have the opportunity to understand and comply with the complex rules and laws associated with running a regulated business. These tools include premise checks, compliance checks, final inspections, online resources and other support.

If a licensee violates a rule or law, officers consider the totality of the circumstances and determine the appropriate course of action to ensure understanding and future compliance. Officers may use education, a warning, a notice to correct, or an administrative violation notice (AVN). Administrative violation notices can result in a fine, temporary license suspension, or both. In more serious circumstances, officers may issue a criminal citation.

In the case of significant public safety issues, the Board may impose an emergency license suspension for up to 180 days. In cases of repeated or egregious public safety violations, the Board may permanently revoke a license if necessary to ensure public safety.

Enforcement and Education

Support Visits

A support visit is a contact made with a licensee that contains a technical or educational aspect.

Support Visits	FY 2021*	FY 2022
Licensee Support Visits	23,510	19,953
COVID-19 Licensee Support Visits	34,150	2,708

**2021 activity was influenced by COVID-19 restrictions*

Premise Checks

Premise checks are random, in-person visits to a licensed location by an officer to gauge compliance with rules and offer assistance or education to the licensee or to answer their questions.

This unit carries out enforcement operations such as underage compliance checks, undercover operations, complaint investigations, and premises inspections.

FY 2022 Premise Checks	FY 2021*	FY 2022
Liquor Premise Checks	31,969	27,876
Tobacco Premise Checks	2,227	2,835
Cannabis Premise Checks	3,568	4,796
Vapor Premise Checks	2,321	2,147

**2021 activity was influenced by COVID-19 restrictions*

Compliance Checks to Prevent Youth Access

The LCB prioritizes preventing youth access to age-restricted products in Washington State. Compliance checks are a specialized check involving an officer and an investigative aide (IA) that is 18-20 years old to test compliance on age-restricted products. This process involves a controlled attempt by the underage IA to purchase regulated products under supervision of an officer who uses a national best-practice model.

Compliance rates demonstrate the industry's success rate as it pertains to preventing youth access. In FY 2021, compliance checks were paused until May 2021, due to COVID restrictions.

Compliance Rates

FY	Liquor	Cannabis	Tobacco	Vapor
2022	77%	92%	80%	75%
2021*	75%	95%	75%	NA
2020*	87%	97%	92%	84%
2019	84%	96%	91%	87%

**2020 and 2021 activity was influenced by COVID-19 restrictions*

Compliance Checks	FY 2021*	FY 2022
Liquor	119	2,997
Tobacco/vapor	89	1,122
Cannabis	21	486

**2021 activity influenced by COVID restrictions
Compliance checks resumed in June 2021*

Administrative Violation Notice (AVN)

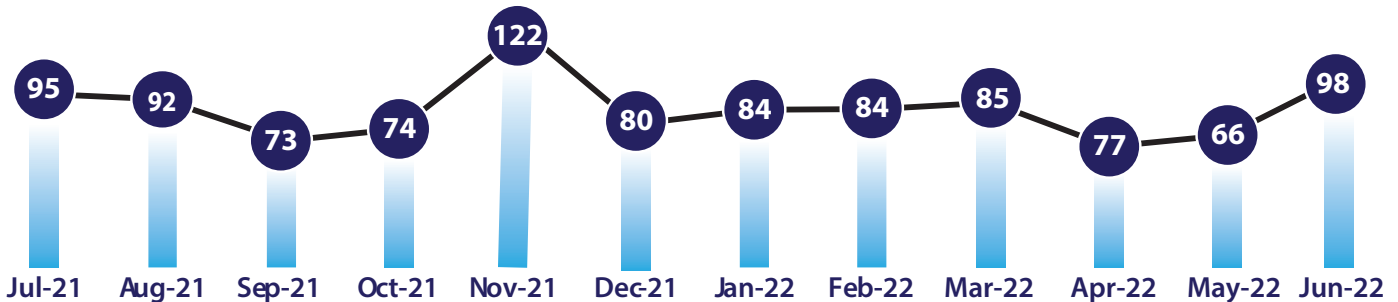
When a licensee is issued a violation, the AVN includes information about the alleged violation including the date and time a rule was violated, which rule(s) was violated, and how the rule(s) was violated.

Licensees accused of a violation can accept the recommended penalty, negotiate a compromise through an informal hearing, or request a formal hearing in front of an Administrative Law Judge.

If a violation is found to have occurred, the outcome of an AVN includes issuance of a fine or a temporary license suspension, or both. In cases of repeated violations, a license can be revoked by action of the three-member Liquor and Cannabis Board.

Enforcement and Education

FY 2022 AVNs Issued



Complaint Investigations

Complaints are reports of an alcohol, tobacco, vapor product, or cannabis violation received from the public or other stakeholder. The Enforcement and Education Division will initiate a complaint investigation on reports that allege violations of state rule or law.

Complaint Investigations	FY 2021*	FY 2022
Liquor	10,033	2,796
Cannabis	570	348
Tobacco/Vapor	863	369
Total	11,466	3,513

*2021 activity was influenced by COVID restrictions

Focus on Education

The division has built an education and outreach program to support partnership, knowledge and information access. This increases public safety through education that assists licensees with understanding and staying in compliance with Washington's rules and laws.

Top Educational Topics FY 2022	Contacts	% of Total	% in FY 2021
Regulatory	8,629	36%	20%
Youth Access to Restricted Products	4,086	17%	5%
Public Safety	3,225	13%	4%
COVID-19	2,707	11%	52%
Licensing/Permits	994	4%	N/A

Total Educational Contacts FY 2022

Unit	Contacts	Hours	People
Liquor	12,849	1,764	18,274
Cannabis	6,713	1,645	12,335
Tobacco/Vapor	3,470	665	5,383
Total	23,032	4,074	35,992

Division-wide COVID-19 Efforts	FY 2021	FY 2022*
COVID-19 Complaints Received	10,052	2,112
Number of COVID-19 Educational Contacts	15,510	2,707
Warnings Given	542	103
Administrative Violation Notices Issued	83	4

*2022 activity was influenced by the lifting of COVID restrictions

Liquor

The Retail Liquor Unit is made up of four regional areas throughout Washington (Northwest, Central, Southwest and East regions). This unit contributes to public safety by ensuring legal and responsible liquor sales at over 18,000 licensed retail liquor businesses. The Retail Liquor Unit focuses on prevention of youth access, conduct and alcohol over-service. This unit carries out enforcement operations such as underage compliance checks, undercover operations, complaint investigations, and premises inspections.

They also make technical assistance visits to educate licensees on state liquor laws and rules and make themselves available for licensee questions.

The Enforcement and Education Division partners with the Licensing Division to facilitate the Responsible Vendor Program (RVP) which provides technical assistance and education to participating licensees. RVP training is available to licensees, their staff, other stakeholders and is also available online.

The Manufacturers, Importers and Wholesalers (MIW) team is a separate team assigned to these non-retail industry members. MIW works directly with members by assisting with final inspections, providing education, and investigating industry-related complaints to verify compliance.

Cannabis

The Cannabis Education and Enforcement Unit consists of 28 commissioned staff who regulate 1,821 licensed cannabis producers, processors and retailers. The unit also includes 13 compliance consultants who provide education and licensee support.

The unit provides public safety by ensuring the legal and responsible sale of cannabis at retail businesses. They focus on youth access, conduct, pesticide use, prevention of diversion and licensee integrity issues. They also provide inspection of license applicants, specific education for new licensees, ongoing education for all licensees, security and traceability system compliance and ensuring licensed operations are conducted by the true party of interest.

In January 2021, the Enforcement and Education Division added Compliance Consultants to their Cannabis Unit to provide education and technical assistance to licensees. The Consultants have been assigned to geographic areas to provide for statewide coverage, facilitate consistency and help build strong working relationships.

Compliance Consultants can conduct final inspections and briefings to help licensees get started, plan walkthroughs to help licensees identify compliance gaps and help address concerns. They assist with cannabis industry staff training, and attend industry meetings.

This team is also available for consultations upon request, allowing licensees to request assistance in proactively identifying and resolving compliance issues or concerns.

Tobacco Tax

The LCB Tobacco Tax Unit has 14 commissioned employees who provide services to 5,961 licensees statewide. This unit pursues strategies to reduce smuggled, contraband and otherwise untaxed cigarette and tobacco products. They also conduct audits of licensees for untaxed vapor product sales in the state. In FY 2022, the Tobacco Tax Unit referred over \$8 million to the Department of Revenue for review and collection of unpaid tobacco and vapor product taxes.

The Tobacco Tax team's goal is to influence the trafficking and sale of untaxed tobacco products and to enforce the Master Settlement Agreement which imposes restrictions on the tobacco industry and provides requirements for how they must operate. This unit enforces all regulations associated with tobacco sales and the transportation of tobacco products.

In FY 2022, the Tobacco Tax team also assisted the Vapor team with tobacco compliance checks to complete the Department of Health [SYNAR](#) contract.

This unit maintains state and federal partnerships, including two employees who are tobacco tax federal task force members. The unit educates wholesalers, distributors and retail licensees on tobacco laws and rules. The agency received asset sharing from cases worked with the federal Alcohol Tobacco and Firearms agency in FY 2022 in the amount of \$23,000.

Enforcement and Education

Vapor

The Vapor Unit has six commissioned employees who provide services to 3,973 licensees statewide. The purpose of the unit is to enforce laws, provide Washington residents with consumer protection, increase child safety and eliminate youth access. The team also conducts internet enforcement and helps ensure vapor licensing requirements are met. The unit educates vapor product retailers, distributors, wholesalers and delivery sales licensees on vapor laws and rules.

The Vapor Unit assisted other LCB units including helping with seizures, surveillance, undercover details, audits and serving search warrants. They conducted over 411 hours of surveillance of licensed locations for complaints of product diversion and criminal conduct. They issued Board-approved emergency suspensions as well as conducted search warrants for criminal conduct, violations of suspension and aggravated instances of repeated violations for sales to minors.

Food and Drug Administration (FDA)

Tobacco Inspections

Under federal authority, the LCB conducts tobacco inspections to verify compliance with federal regulation of the manufacture, distribution and marketing of tobacco products to protect public health.

The FDA Tobacco Inspection Program is comprised of eight staff who maintain FDA-commission credentials and conduct tobacco inspections at licensed tobacco retailers in the state.

FDA Inspections and Violations	FY 2021	FY 2022
Inspections conducted	529	3,475
Violation referrals to FDA for sales to minors	138	724

Evidence

The Evidence Unit consists of one Evidence Custodian responsible for statewide evidence processes in compliance with state law or rule. This includes final disposition of the items of evidence once a case is concluded. Evidence may be returned to its original owner or destroyed, depending on the outcome.

During FY 2022 the Evidence Unit worked with Justice Trax to improve LCB's evidence software and transfer it to a cloud-based service. The LCB is the first agency to move to Justice Trax programming on a cloud-based server. The project was expanded through LCB IT Division, WaTech and the WA Office of Cyber Security. This will open a pathway for other state agencies who use this program to follow suit in the future. Part of this upgrade will allow officers to better track the evidence they submit for their cases. This project is anticipated to be completed in December of 2022.

The Evidence Unit also began working on allocating an additional method for destroying evidence properly in coordination with the Rochester Boiler plant. This new method will allow the Evidence Unit to destroy small items and items such as tobacco without transferring it across the state to the Spokane Incinerator where current evidence is destroyed at the conclusion of cases.

Hearings

The Hearings Unit manages the Alternative Dispute Resolution (ADR) process for the LCB. The ADR provides licensees the opportunity to discuss and mitigate penalties for recent liquor, cannabis, tobacco or vapor product violations.

Mitigations involve a wide range of possibilities. One often-used mitigation includes the licensee demonstrating they have purchased technology as a result of the AVN to verify customer age in order to minimize underage sales. They also transition cases to the formal hearing process.

Enforcement and Education

This team of two collaborates closely with officers, lieutenants and captains of the division to prepare cases for the ADR process.

Hearing Outcomes	FY 2021	FY 2022
Informal hearings conducted	174	367
Resolved at informal hearing	143	349
Cases forwarded to the Board for formal hearings	31	18

Training

The Training Unit consists of two employees that organize, facilitate and provide training to officers and staff within the division. Training is provided for new officers through on-boarding, guidance from the Basic Law Enforcement Academy in Burien, and tracking and supervision of the Field Training Program. In addition to agency-required Core Training and the Leadership Roadmap, Enforcement and Education Officers and employees participated in additional division-identified specific training.

Enforcement and Education employees continue to broaden their knowledge, skills and abilities through a variety of training. These trainings help expand knowledge and facilitate learning in the following areas:

- Public Safety/Law Enforcement Specific
- Professional Development
- Leadership and Supervisory
- Agency/Division Updates

Enforcement and Education Employees attended an Annual In-Service training. This training provides staff an opportunity to come together to discuss industry trends with co-workers, members of the agency Leadership Team, the Agency Director and Board members. The in-service setting provides the opportunity for interaction and collaboration that would otherwise be unavailable.

Training highlights from this year's Annual In-Service included:

- Strategic Planning
- Challenges and Changes
- Tribal Protocols
- Communication with Tact and Professionalism
- Diversity, Equity, Inclusion, and Belonging

Training System Update: Field training program goes digital

By the end of 2022, Field Training Officers will be using a digital system to document and track training provided to new officers. This new system is web-based and completely paperless.

Officers and division employees were also provided group training primarily via virtual methods.

- **15 hours: Job Specific Technical Skills**
Firearms and Defensive Tactics (emphasis on Situational Awareness, Tactics for the COVID Environment, Professionalism)
- **28 hours: Employee Development**
Emphasis on employees commitments to 'facts before feelings,' consistency, trust, service to others, collaboration and your team.
- **10.5 hours: Laws and Regulations**
- **14.5 hours: Licensee Support**
Verbal Judo. Diffusing Conflict Through Conversation and Duty to Intervene: If we are to police others, we must also police ourselves.
- **3 hours: Officer Wellness**
Crisis Intervention Training: Officer Wellness. Helping officers be their best personally, so they can give their best to the community.
- **18 hours: Supervisor Specific Training**
To help employees foster our division mission, provide consistency, and collaboration.

Enforcement and Education

Annual Awards

Each year the Enforcement and Education Division recognizes staff that have gone above and beyond their day-to-day duties to provide exceptional service to their communities. The awards for FY 2022 are:

Extra Mile Award

3 awards for commissioned staff

- Monith Leap, Acting Lieutenant
- Doug Geltz, Officer
- Kraig Seltzer, Officer

1 award for supervisors

- Rick Smith, Lieutenant

1 award for non-commissioned staff

- Ryan Navrat, Advertising Coordinator

Customer Service Award

- Pat McFerran, Sergeant

Team Award

- Reality Based Training Team: Steve Grassfield, Matt Murphy, Rufino DeLeon, Austin Shively, Dale Golman, Lucy Peterson, Sam Eikum, Robert Raveica, Dylan Wiltsey, Kandra Tinnerstet

Leadership Award

- Tom Dixon, Captain

Administrative Excellence Award

- FDA Team

Investigative Excellence Award

- Joel McCloud, Officer

Director's Partnership Award

- Matt McCallum, Education Manager

Director's Leadership Award

- Rufino DeLeon, Lieutenant

Director's Award – Non-commissioned

- Brian McQuay, Examiner

Director's Award – Commissioned

- Lori Sigman, Lieutenant

It's About the Future

In 2022, the Enforcement and Education Division released a 5-year strategic plan.

The mission of everyone associated with the LCB Enforcement and Education Division is to consistently contribute to Washington State's international reputation as a safe place to live, work, conduct business, play, learn and visit.

We accomplish this mission through providing the highest quality education, enforcement and support services as is possible within the resources provided to us.

We are recognized as a go-to resource throughout the state, as professional, compassionate, responsive, fostering community partnerships, and as adding value in return for the funds with which we are entrusted.

The six areas of focus for the divisional strategic plan are:

- Board and Stakeholder Relations
Be responsive to the Board and our stakeholders
- Leadership and Management Services
Practice intentional leadership
- Operations Services
Pursue public safety and regulatory compliance
- Administrative Services
Provide exceptional service to internal and external customers
- Education and Industry Relationships
Educate and inform stakeholders and staff
- Partner Services
Partner with others to align resources with community needs

Licensing and Regulation Division

The Licensing and Regulation Division administers licenses and permits for the sale, service, manufacturing and distribution of alcohol and cannabis for the state of Washington. The division consists of nearly 70 employees and is the second largest division in the LCB.

This year, the division experienced significant change in its workforce – welcoming 13 new employees and 26 internal promotions. Many division employees have successfully transitioned to a hybrid schedule, working both in the office and remotely. During the transition, the division has taken steps to simplify several existing processes to meet the needs of applicants, licensees and other stakeholders. The division remains committed to exploring other opportunities to increase efficiency and improve customer service.

Diversity, Equity and Inclusion

The LCB and its Licensing Division is committed to integrating Diversity, Equity and Inclusion (DEI) into its workforce and programs and is always looking for opportunities to promote these important values in the workplace. The division worked as a team to create an inclusion document that set standards for engagement and to promote a culture of belonging. The division, in collaboration with the agency's DEI Manager, is creating a DEI library for employees to better understand how privilege and racism have impacted employees, licensees and applicants. The division uses diverse hiring panels to welcome job applicants and to help create a workforce that reflects the diversity of the state.

Cannabis Social Equity Program

The Licensing Division continues to implement the agency's Social Equity in Cannabis Program and is taking steps to open the application process. The program is intended to create

pathways for those disproportionately harmed by the War on Drugs to potentially gain a retail cannabis license. An LCB-introduced bill established the Legislative Task Force on Social Equity in Cannabis responsible for providing recommendations to the LCB on how to structure the program.

Over this past year, employees have attended Social Equity in Cannabis Task Force meetings, conducted research and outreach with other states and jurisdictions and responded to data and information requests from Task Force staff. The Task Force provided the LCB with recommendations on January 6, 2022.

The LCB incorporated recommendations and completed other steps that must be in place prior to accepting social equity applications, including:

- Proposed an alternative scoring rubric and provided it to the Task Force on January 14, 2022.
- Led the development of a Request for Proposal for a third-party contractor to review and score social equity applicants.
- Developed system requirements and collaborated with the Department of Revenue Business Licensing Services to prepare for an upcoming application window.
- Hired a Social Equity Case Manager responsible for taking a proactive approach to lead the work of the developing program. This position will also serve as the LCB liaison for social equity applicants and licensees as they navigate through the regulatory process.
- Contracted for the work to gather and analyze the data needed to determine disproportionately impacted areas (DIA), a required criterion for social equity applicants.
- Developed an education and training plan for potential applicants that will be in place prior to accepting applications.

Licensing and Regulation

- Collaborated with the Department of Commerce on the Technical Assistance and Mentorship Program, a program designed to provide business development services for applicants.

The LCB continues its efforts to finalize preparations prior to accepting applications and is committed to completing this work over the next year.

Systems Modernization Project

The Systems Modernization Project is underway to update and unify the agency's various outdated technology systems (including the LCB's legacy Cobalt system). The new system will make the licensing process more efficient and easier for licensees to navigate. Licensing has dedicated two employees as subject matter experts (SMEs) full time to the project. These SMEs worked with the Information Technology Division and licensing employees to develop the requirements for the vendor who will integrate our work into the Salesforce platform.

In addition, the SMEs have been working to cleanse the data from the old systems to make sure the data is accurate when it is migrated to the new system.

The Deputy Director of Licensing continues to provide leadership and consistency for the project, as well as full-time support during the vendor search and contract negotiations. The division has also continued to provide on-going resources from employees across the division for system testing.

Customer Service Unit

The Customer Service Unit supports internal and external customers by answering phone calls and correspondence regarding liquor and cannabis licensing protocols, rules and regulations. The Customer Service Unit responded to 14,216 phone calls during the past year.

Customer Service also supports the division by issuing licenses, added endorsements, liquor permits and liquor and cannabis license alteration requests.

Liquor Permits and Special Occasion Licenses Issued

Agents Licenses	1862
Raffle Permits	153
Special Occasions	2852
Wine Association Events	16
Other	1341

Special Occasions Licenses

A special occasion license allows a nonprofit organization to sell liquor at an event, which may include fundraising dinners, gala events, auctions and wine tastings. Although applications have not returned to pre-pandemic levels, applications have continued to increase. This past year, the unit issued over 2,800 licenses, which is nearly 2,000 more applications than the previous year. There has also been an increase of applications for virtual events and in-person events, such as wine walks, all-age events and festivals.

Liquor Licensing Unit

The Liquor Licensing Unit issues liquor licenses for more than 26,500 businesses.

Types of Businesses Issued Liquor Licenses

Retail	Non-Retail
Grocery Stores	Breweries
Restaurants	Wineries
Nightclubs	Distilleries
Taverns	Beer/Wine Distributors and Importers

Licensing and Regulation

Active Liquor License Count

Type	2019	2020	2021	2022
Retail	18,235	18,376	18,473	18,708
Non-Retail	7,690	7,963	8,216	8,317

Temporary "To-Go" Endorsements

The legislature passed House Bill 1480 which provided authorization to extend certain temporary privileges that the LCB granted to liquor licensees to mitigate the impact of the COVID-19 pandemic. Temporary "to-go" endorsements include:

Factory Sealed Bottles, Cans and Kegs

Restaurants, taverns, domestic breweries and microbreweries, domestic wineries, distilleries, snack bars, nonprofit arts licensees and caterers may sell alcohol products for takeout, curbside service, or delivery.

Pre-Mixed Cocktails, Wine Drinks and Wine to Go
Restaurants may sell "to-go" cocktails for takeout, curbside service, or delivery.

Growlers

Licensees previously allowed to sell growlers for on-premises consumption may sell them for off-premises consumption through takeout, curbside service or delivery.

Increased Liquor Applications

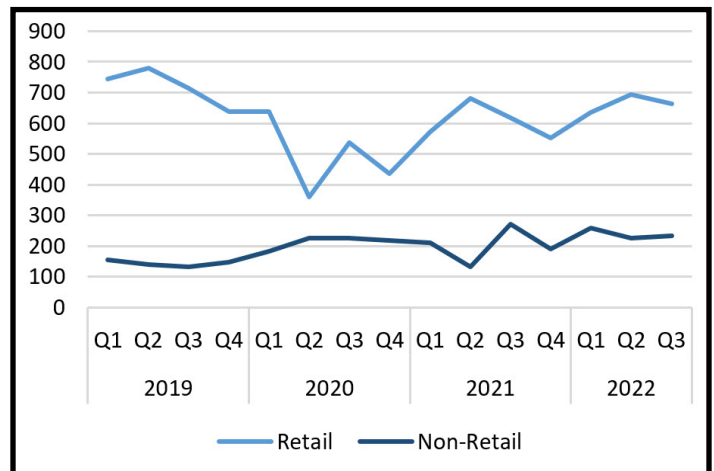
The unit continues to receive an increase in applications, almost reaching pre-pandemic numbers. In 2021, a total of 3,663 applications were received. This year, a total of 4,008 applications have been received. In response to the increased workload, employees from across the division have assisted in processing applications.

On average, liquor applications were issued in less than 75 days - within division processing time goals.

New Retail Licenses Types Issued Between FY 2020 and FY 2022

	2020	2021	2022
Beer/Wine Restaurants	346	270	281
Beer/Wine Specialty Shops	44	75	48
Catering	18	11	26
Combo S/B/W Grocery	N/A	22	19
Combo S/B/W Specialty Shop	N/A	3	2
Gift Delivery B/W	11	23	14
Grocery Stores	174	159	137
Hotels/Motels	18	14	17
Night Clubs	11	3	20
S/B/W Restaurants	362	279	320
Sports Entertainment Facilities	4	0	9
Snack Bars	39	29	37
Spirit Retailers	11	6	6
Taverns	45	22	39
Theaters	10	2	11

Number of Liquor Applications Received



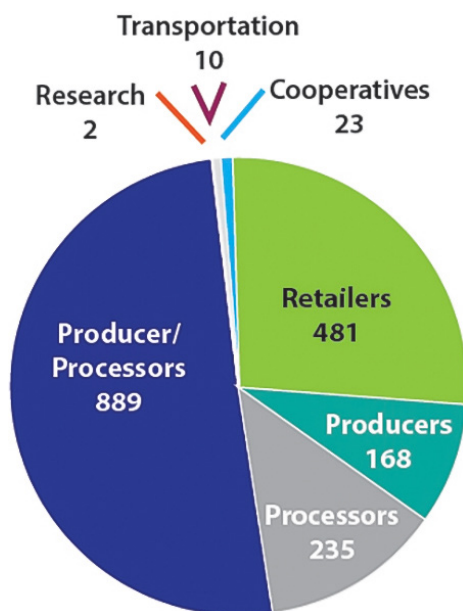
Licensing and Regulation

Cannabis Licensing Unit

The Cannabis Licensing Unit processes applications for cannabis retailers, producers, processors, transporters, and researchers. The unit also oversees the registration for cooperatives and retail title certificates.

There are currently 1,854 active cannabis licenses and 46 Retail Title Certificate Holders.

Active Cannabis Licenses



Simplified Alteration Requests

In October 2021, the unit streamlined the process for cannabis floor plan alteration requests. Simple alterations are minor changes to the floor plan and no longer require a financial or real property review. The simplified process has reduced processing times and on average, requests were completed in less than five days.

In April 2022, the Cannabis Unit issued the second research license in the state. A cannabis research license allows a holder of the license to produce, process and possess cannabis for limited research purposes. To obtain a research license, the applicant must submit a comprehensive research plan that demonstrates they have the means and ability to support precise research goals

and timelines. The research plan is reviewed and evaluated by a third-party scientific reviewer to ensure the project matches the applicant's scope and resources.

Policy and Education Unit

The Policy and Education Unit consists of the Licensing Division Training, Data, and Education Teams. The unit works collaboratively with employees throughout the division to implement licensing liquor and cannabis rules, legislative and policy actions. The unit supports LCB data requests and administers the mandatory training and outreach programs for alcohol licensees.

Training and Development Team

The training team has developed training and resources for internal and external customers to improve consistency among employees and other divisions throughout the LCB. The team provided internal training, external resources, and updated applications on licensing policy, rule and legislative changes. The training team also supported units across the division to provide onboarding support and training for nearly 40 new employees or employees moving into a new role.

As many businesses have increased capacity and experienced shifts in their workforce, the division received an increase in speaking and training requests. This past year through virtual and in-person engagement, employees covered topics on new license types, rule changes and special events. Employees also participated in the Small Business Fair and other associations' events to provide information and resources for liquor and cannabis licenses.

Responsible Vendor Program (RVP)

The RVP is a voluntary program encouraging retailers selling alcohol for off-premises consumption to adopt best practices and ensure liquor is sold responsibly. This year, 77 new stores registered for the program and over 2,400 store employees completed the LCB responsible alcohol sales online training course.

Mandatory Alcohol Server Training (MAST)

A MAST permit is required by law for anyone who sells or serves alcohol for on-premises consumption, manages servers, and for retail employees who conduct alcohol tastings. The LCB certifies third-party providers to deliver training, administer exams and issue permits. There are 23 approved providers certified in Washington State. As liquor businesses returned to normal capacity, over 43,000 MAST permits were issued this past fiscal year - nearly double the number of permits issued the prior year.

Compliance and Adjudication Unit

The Compliance and Adjudication Unit reviews applications, licenses and license renewals when they determine that the application or licensing qualifications have not been met, or if public safety concerns have been brought forth by the local jurisdiction in which the business operates. The unit also supports the division by collaborating with Tribes in Washington State on negotiations of liquor Memorandum of Agreements (MOA), managing bankruptcies, receiverships, sports entertainment facility operating plans and packaging and labeling requirements for cannabis and liquor products.

Tribal Liquor Memorandums of Agreement

Liquor Memorandums of Agreement (MOA) are mutually entered into on a government-to-government basis. These agreements govern the sale of liquor at tribally owned businesses located within Indian Country. There are two types of MOAs; the first is an Umbrella MOA that may cover multiple tribally owned locations within one agreement, superseding the need for any liquor licenses covered. The second is a Fee MOA that was entered into after the privatization of spirits sales and only references any tribal location that sells spirits. This year the unit collaborated on two new MOAs that were affirmed by the Board. The unit continues to negotiate on five new MOAs. To date, the LCB has entered into nine Umbrella MOAs and 11 Fee MOAs.

Sports Entertainment Facilities

The unit works with Sports Entertainment Facilities (SEFs) that request to expand above normally approved alcohol service levels. The unit prepares a request for the Board with data about the facility's ejection rates, DUI rates, incidents linked to over-intoxication, violation history, input from the local jurisdiction and LCB's Enforcement and Education Division. If the request aligns with public safety goals, the Board may approve a pilot program for a determined length of time with an evaluation date to consider permanent approval. During the pilot program there is continued collaboration between Licensing, Enforcement and Education, and the licensee to monitor how the program is going and discuss areas of success or needed improvement.

Open communication and feedback aids in ensuring public safety measures are in place and the overall success of the pilot program. In the last year, two SEFs were approved for a pilot program and another one was approved for permanent status. To date, the approved pilot programs have included one or more of the following: pre-made, batched spirits cocktails, or canned cocktails with 8% or less alcohol by volume to be consumed in general seating of an arena, hawking of wine, and beer and/or wine consumption allowed in general seating of a university or college sports games.

Simplifying the Packaging and Labeling Process

In November 2021, the Licensing Division reached out to 10 cannabis-infused edible processors who had recently submitted products, packaging and labeling for approval. They asked for feedback on the submission process. Four processors responded and engaged in the discussion. The most common request from these licensees was to have an application form that allowed for multiple submissions so they did not have to fill out the same information about their business on multiple forms. The unit updated the application form to incorporate the feedback received, and posted the updated application on the LCB website for all cannabis-infused edible processors to use.

Public Health, Prevention and Research

Public Health

A major public health challenge in the United States is the underage use and adult high-risk use of alcohol, cannabis, and other substances. As regulators of alcohol, cannabis, tobacco, and vapor products, the LCB has a commitment to public health and safety, which is interwoven in many aspects of our work.

The role of LCB's Public Health Education Liaison is to support this focus both within the agency and with our external partners and stakeholders. In doing so, the LCB engages many agencies and statewide organizations to coordinate efforts and align work toward the common goal of healthy and safe communities in Washington state.

The Role of Research and Data

The agency's public health efforts ensure that agency leadership and employees are aware of research, data and evidence-based practices to help provide a strong foundation for policy and program development. Collaboration with researchers in the state and across the country helps guide scientific efforts toward results that can be used to better inform the LCB's work. An example of this is the inclusion of LCB-requested survey questions in the International Cannabis Policy Study.

Stakeholder Engagement

An important aspect of this program is connection and collaboration with public health and prevention partners and stakeholders. Quarterly roundtable meetings provide a forum to share agency updates and activities with these communities and to gain insights and feedback from them.

Program emails and bulletins provide stakeholders and partners with rulemaking and legislative updates and invite them to participate in the LCB's processes. Speaking engagements and presentations offer the opportunity for direct contact with community coalitions and other groups.

Responding to direct requests from stakeholders and partners for information, resources and assistance is a major component of the program. Assistance in understanding current and proposed rules is a common request.

Collaboration

The LCB engages with many agencies and statewide organizations to coordinate efforts and align work toward common goals. Doing so maximizes resources and better serves the residents of our state.

Several government agencies and statewide organizations work together to determine strategies, develop and distribute resources, and provide mentoring and support to communities. Examples of this include:

- The Washington Healthy Youth Coalition (LCB Public Health Liaison co-chair)
- The Strategic Prevention Enhancement Consortium and workgroups
- The WA Impaired Driving Advisory Council
- The Prevention Research Sub-Committee
- ICPS-CSTE-CANNRA* State Data Partnership
- CANNRA Public Health and Data Monitoring Special Committee

The LCB is also a sponsor of the annual Washington Prevention Summit.

Other Public Health Education Liaison Projects include:

- LCB liaison and resources for cities that have Alcohol Impact Areas
- Advisory group for the American Public Health Association Alcohol Action Network
- Participation in CANNRA committees
- Development of educational materials

**International Cannabis Policy Study – Council of State and Territorial Epidemiologists – Cannabis Regulators Association*

Strategic Planning

In 2021, the LCB's leadership team met to revisit progress on the 2019-2024 Strategic Plan. Several revisions were made to keep the plan relevant and timely. The five-year Strategic Plan is a roadmap for the agency, outlining the LCB's future direction and strengthening the agency's foundations.

In total, there are 18 strategies based on the following goals:

- Ensure the highest level of public health and safety by continually improving and enforcing laws, regulations, and policies that reflect today's dynamic environment.
- Inform and engage licensees, stakeholders, and the public in addressing issues related to our mission.
- Promote a culture that inspires leadership and values a highly-motivated, competent, and diverse workforce that establishes the WSLCB as the employer of choice.
- Ensure operational and customer service excellence.

Over the next few years, the agency will focus on connecting with communities and customers as well as further developing the agencywide Diversity, Equity and Inclusion Program.

LCB Results

LCB Results is the agency's long-term performance program. Sessions are held with employees and agency leaders addressing topics such as license and permit processing, enforcement, education, outreach, human resources, risk management, budget and administrative functions. These division-level discussions also include conversations about data trends, program targets and results.

Finally, these sessions allow staff the opportunity to share continuous improvement successes.

Continuous Process Improvement

Improving operational processes is a core value at the LCB and is embedded within the agency's daily work. A significant number of agency employees have participated in "Lean" process improvement and problem-solving training, including the annual Washington State Government Lean Transformation Conference, and/or participated in improvement activities.

Here are two examples of a team using process improvement:

During the past year, the Operational Support team improved compliance for reporting vehicle damage within one day. They trained drivers on the process, increasing the percentage of timely damage reports from 67% to 92%. They also improved results for asset transfers for separated employees, resulting in a 6% increase in policy compliance.



Strategic Plan 2019-2024

Revised January 2022

Vision

Safe communities for Washington State

Mission

Promote public safety and trust through fair administration, education, and enforcement of liquor, cannabis, tobacco, and vapor laws.

Goals

- Ensure the highest level of public health and safety by continually improving and enforcing laws, regulations, and policies that reflect today's dynamic environment.
- Inform and engage licensees, stakeholders, and the public in addressing issues related to our mission.
- Promote a culture that inspires leadership and values a highly-motivated, competent, and diverse workforce that establishes the WSLCB as the employer of choice.
- Ensure operational and customer service excellence.

Values

- Respect and courtesy
- Professionalism
- Open communication
- Accountability and integrity
- Continuous improvement and meaningful results
- Customer focus

LCB Strategic Plan 2019-2024

Policy and Rules

Policy and Rules Program

The LCB's Policy and Rules Program provides a critical function for agency policy development. The team focuses on developing agency policy and rules for alcohol, cannabis, tobacco and vapor products aligned with Board priorities. Activities include legislative implementation, developing recommendations on rule petitions, researching emerging issues, developing complex analysis on the economic and administrative impacts of a rule or rules on those who must comply with them. The team leads policy discussions of national and sometimes international interest and more.

The team works collaboratively with the Board, agency divisions and a wide range of external stakeholders to develop policies and rules that support public safety and health, work toward achieving state-wide social equity goals and are designed to result in consistent, reasonable and fair administration of law.

Rule Development

FY 2022 saw significant rule development activity. Notably, rules requiring that all cannabis products produced, processed and sold in Washington State be tested for pesticides, in addition to the basic I-502 suite of mandatory tests, went into effect on April 2, 2022. The team worked with interested stakeholders to create a phased-in policy designed to reduce licensee and market impact. Additionally, rules to implement Engrossed Second Substitute House Bill (E2SHB) 1480 went into effect on January 8, 2022. The legislation extended certain temporary and permanent privileges to liquor licensees to mitigate the impact of the COVID-19 pandemic, including:

- Temporary endorsements to "to-go" sales
- Temporary outdoor alcohol-service areas
- Permanent updates to food service requirements

In total, the agency adopted six new rule sets and initiated three new rule projects, including creating the state's first Social Equity in Cannabis program.

Policy Development

The agency policy workgroup continued to identify ways to assist licensed businesses as the state began to reopen as COVID restrictions relaxed or ended. Workgroup members collaborated with licensees, trade organizations and other state and local agencies to extend or withdraw allowances as business resumed. Continuing to support internal consistency and external understanding of the agency's interpretations of laws, rules and policy, the Interpretive and Policy Statement Program issued two interpretive and nine policy statements. The team also added webpage content showcasing current and past policy development outreach efforts, and provided a form for the public to submit policy suggestions for the agency policy workgroup to consider.

Stakeholder Engagement

The team continued to implement approaches to create and strengthen stakeholder relationships, encourage inclusive involvement and solicit productive feedback during rule development processes.

In FY 2022, six "Listen and Learn" and four "Deliberative Dialogue" sessions attracted a large number of participants. These collaborative processes reduced the number of public comments received during public hearings on rule proposals, and reduced the number of amendments and edits needed after public hearings, minimizing delays in rule making.

Income

Liquor Taxes and License Fees (includes penalties)

Spirits Fees	\$ 201.7	\$ 196.6
Beer Tax	31.1	30.6
Wine Tax (not including assessment)	27.3	26.6
Liquor License Fees	12.4	7.3

Total Liquor Income

\$ 272.7 million **\$ 261.0 million**

Cannabis Taxes and License Fees (includes penalties)

Cannabis Tax	\$ 555.4	\$ 511.1
Cannabis License Fees	4.1	4.1

Total Cannabis Income

\$ 559.5 million **\$ 515.2 million**

Tobacco

Tobacco Related Income	\$ 0.4	\$ 0.4
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Total Tobacco Income

\$ 0.4 million **\$ 0.4 million**

Total Income

\$ 832.6 million **\$ 776.7 million**

Expenses

Operating Expenses

Licensing	\$ 5.3	\$ 5.2
Enforcement	15.9	16.8
General	27.5	23.3

Total Operating Expenses

\$ 48.7 **\$ 45.4**

Distributions/Appropriations

Distributed to State/Local Governments	\$ 707.5	\$ 671.9
State Agency Appropriations	70.9	68.3

Total Distribution/Appropriations

\$ 778.4 million **\$ 740.2 million**

Total Expenses/Distributions

\$ 827.1 million **\$ 785.6 million**

Financial Statement

Income

	FY 2021	FY 2022	Difference
Liquor Taxes and License Fees (includes penalties)			
Spirit Fees	\$ 201,748,821	\$ 196,563,149	\$ (5,185,671)
Beer Tax	31,131,976	30,600,403	(531,573)
Wine Tax (not incl. assessment)	27,346,738	26,594,459	(752,279)
Liquor License Fees	12,423,015	7,276,687	(5,146,328)
Total	\$ 272,650,550	\$ 261,034,698	\$ (11,615,852)
Other Liquor Income	\$ 8,964	\$ 9,233	\$ 269
Cannabis Taxes and License Fees (includes penalties)			
Cannabis Tax	\$ 555,412,310	\$ 511,123,712	\$ (44,288,598)
Cannabis License Fees	4,077,958	4,068,630	(9,328)
Other Cannabis Income	3,206	2,300	(906)
Total	\$ 559,493,474	\$ 515,194,642	\$ (44,298,832)
Tobacco Income Total	\$ 409,283	\$ 481,293	\$ 72,010
Other General Fund Income	\$ 34	\$ 853	\$ 819
Total	\$ 832,562,306	\$ 776,720,719	\$ (55,841,587)

Expenses and Distribution

	FY 2021	FY 2022	Difference
Operating Expenses			
Licensing	\$ 5,253,939	\$ 5,234,557	\$ (19,382)
Enforcement	15,943,037	16,805,887	862,850
General	27,489,150	23,323,022	(4,166,128)
Total Operating Expenses	\$ 48,686,126	\$ 45,363,466	\$ (3,322,660)
Distributions/Other Appropriations			
Excess Funds	\$ 137,943,190	\$ 156,851,554	\$ 18,908,364
Beer Tax	25,475,636	25,097,319	(378,317)
Wine Tax	4,363,552	4,343,689	(19,863)
Liquor Licenses	8,394,996	2,704,048	(5,690,948)
Tobacco/Vapor	409,283	481,293	72,010
Budget Sweeps (Cannabis)	463,295,655	421,536,029	(41,759,626)
Budget Sweeps (Liquor)	3,109,000	(8,593,889)	(11,702,889)
Returned to the State (Liq/Can/Tob)	\$ 642,991,312	\$ 602,420,042	\$ (40,571,270)
Beer Tax to Borders	48,261	41,413	(6,849)
\$ 1.30 Beer Tax	5,457,182	5,492,881	35,699
Spirit Fees to Locals	43,980,818	43,945,119	(35,699)
Returned to Local Gov (Liquor)	\$ 49,486,261	\$ 49,479,413	\$ (6,849)
Returned to Local Gov (Cannabis)	15,000,000	20,000,000	5,000,000
Spent by State Agencies (Cannabis)	68,294,129	65,969,096	(2,325,033)
Spent by MRSC (Liquor)	2,628,899	2,320,006	(308,893)
Total Distributions / Spent by Other Approp.	\$ 778,400,602	\$ 740,188,557	\$ (38,212,045)
Total Expenses and Distributions	\$ 827,086,728	\$ 785,552,022	\$ (41,534,705)

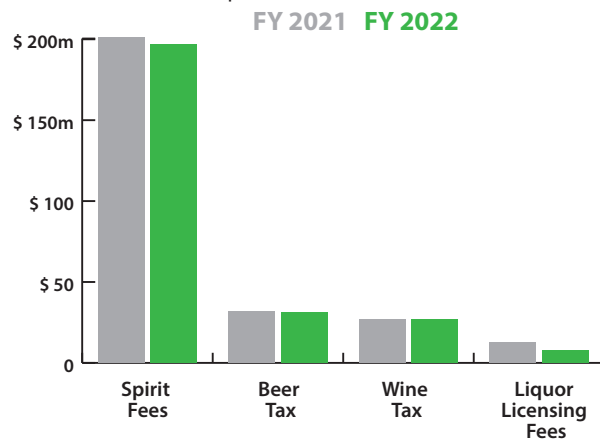
Financial Statement

FY 2022 Distributions/Spent by Other Appropriations*

Agency	Cannabis	Liquor	Tobacco/Vapor	Total
General Fund-State	\$ 157,065,574	\$ 177,178,880		\$ 334,244,454
Basic Health Account	264,470,455			264,470,455
Local Governments	20,000,000	49,479,413		69,479,413
Wash State Health Care Authority	53,183,411	2,253,515		55,436,926
Department of Health	9,035,816		\$ 477,357	9,513,173
Washington State Patrol	2,201,155	150,000		2,351,155
Municipal Research and Services Center		2,320,006		2,320,006
University of Washington	263,000	137,691		400,691
Washington State University	138,000	404,960		542,960
Department of Agriculture	586,307			586,307
Superintendent of Public Instruction	317,377			317,377
Department of Ecology	184,700			184,700
Washington Wine Commission		281,610		281,610
Department of Commerce	59,330			59,330
*See appendix for details. Totals	\$ 507,505,125	\$ 232,206,075	\$ 477,357	\$ 740,188,557

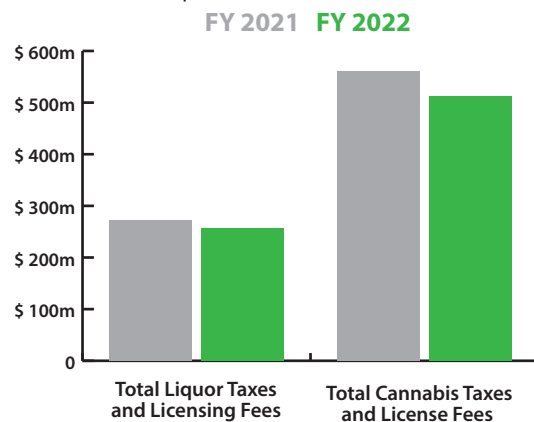
Liquor Taxes and License Fees

Income Comparison Between FY 2021 and FY 2022



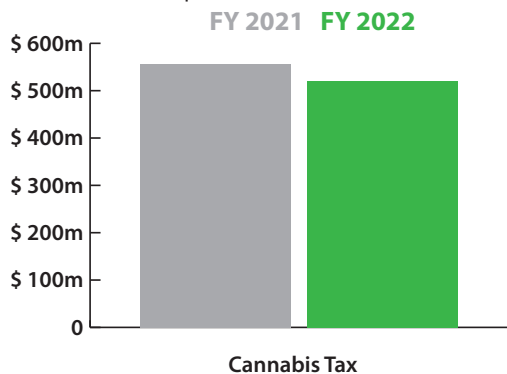
Total Income for Liquor and Cannabis

Income Comparison Between FY 2021 and FY 2022



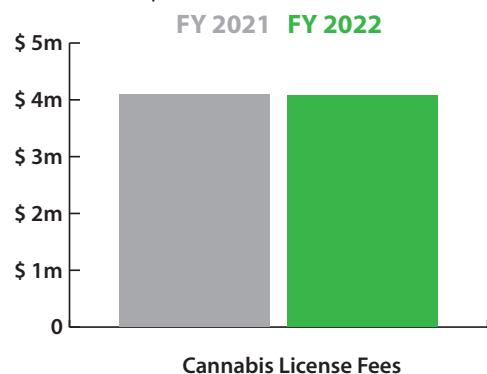
Cannabis Taxes

Income Comparison Between FY 2021 and FY 2022



Cannabis License Fees

Income Comparison Between FY 2021 and FY 2022



2022 Legislative Session

2SHB 1210

This bill changed the term “marijuana” to the term “cannabis” throughout the Revised Code of Washington (RCW).

The bill addressed a legislative finding that the term “marijuana” has discriminatory origins, and should be replaced with the more scientifically accurate term “cannabis.” Bill sponsors and many advocates, particularly from communities of color, agreed that because of the history of racially and ethnically derogatory connotations of the term “marijuana” and the discriminatory effects of the nation’s War on Drugs, the term should not be used in the state’s Revised Code.

At the request of the LCB, the legislature amended the original bill to direct the LCB to change “marijuana” to “cannabis” throughout its regulations by means of expedited rulemaking, which enables the agency to use a streamlined process to change all the relevant regulations at one time in a single rule making project. The intent section of the bill reiterates that the language substitution is technical in nature and no substantive legal changes are intended or implied.

3SHB 1359

This bill temporarily reduces certain liquor license fees to extend financial relief from the impacts of the COVID-19 pandemic.

The coronavirus pandemic forced many businesses, including numerous LCB-licensed businesses to restrict operations to limit the spread of the virus and consequently, dramatically impacted their revenues. The financial harm to the hospitality industry and many liquor licensees has persisted into the third year of the pandemic. Many businesses have not reached pre-pandemic levels of revenue and many still struggle with losses accumulated during periods of curtailed activity and limited operations.

Previous legislative license fee relief (ESSB 5272) expired at the end of Mar. 2022. Through 3SHB 1359, Washington’s lawmakers extended the relief to Dec. 31, 2023. The specified liquor license fees, whether newly issued or renewals of existing licenses, have their license fee cut in half from Apr. 1, 2022 - Dec. 31, 2023. The license types affected are: Restaurants, Hotels, Motels, Snack Bars, Domestic Wineries, Theaters, Taverns, Caterers, Nightclubs, Domestic Breweries, Sports Entertainment, Senior Centers, Public Houses, Distillers, Microbreweries, Distiller, Off-site Tasting Rooms and Nonprofit Arts Organizations.

HB 1859

This bill establishes quality standards for laboratories conducting cannabis analysis.

HB 1859 takes effect July 1, 2024, when the Department of Ecology (ECY) will assume authority for establishing some of the standards for state cannabis testing laboratory accreditation. This bill created a new chapter for Title 15 RCW.

In 2019, the Legislature adopted HB 2052, transferring authority for accreditation standards for cannabis testing laboratories from the LCB to the Department of Ecology. The transfer was to take effect July 1, 2024. The measure also created the Cannabis Science Task Force, a group of several state agencies and stakeholder representatives.

The task force recommended the state revise the program for cannabis testing lab quality standards and oversight. They also recommended new roles and responsibilities for the four state agencies involved in task force discussions and in cannabis industry oversight. It was argued that no single agency should be responsible for both developing accreditation standards and applying them to determine compliance. HB 1859 was jointly requested by the LCB and the state’s Department of Agriculture (WSDA). The bill creates an Interagency Coordination Team (ICT), consisting of the LCB, WSDA, and the Department of Health (DOH).

WSDA will serve as the lead agency and will provide administrative support for the ICT. DOH will continue to adopt standards for medical cannabis products and the LCB will do so for adult-use cannabis products.

Bill Number: E2SSB 5796

This bill restructures cannabis revenue appropriations to provide transparency and accountability and to increase community infrastructure and investment.

This bill amended: RCW 69.50.530 and 69.50.540

Revenue collections from state-licensed cannabis retailers steadily increased since they opened in 2014. Currently, these taxes exceed \$1 billion biennially. Since adult-use cannabis sales began, the Legislature has, at times, used revenue from the initially intended uses of those revenues to pay for other state priorities. As with other high-visibility revenue streams, there is a great deal of public interest in how cannabis revenue is used.

Some Washingtonians believe cannabis revenue should be used to support additional priorities or distributed in different ways. In recent years, increasing advocacy from a social equity perspective has suggested that cannabis revenues should be spent addressing the harms inflicted disproportionately on communities of color during the War on Drugs.

This bill restructures the statute outlining intended appropriations from the “Dedicated Cannabis Account.” This is a permanent statute which functions as a statement of intent – rather than actual budget allocations. It outlines specific amounts intended to be appropriated for certain purposes and includes percentage distributions of funds remaining after the specific amounts have been allocated.

Most items are not significantly changed under the bill, but a few changes are of particular interest:

The Department of Commerce funding for social equity grants was increased from \$1.65 million to \$3 million per year. Funding for mentors to support social equity applicants increased from \$165,000 to \$200,000. Up to \$1 million was added for Department of Health efforts for cannabis education and health programs and a focus on tobacco and vapor products was added.

Remaining funds in the Cannabis Account would be distributed, in part, as follows: 52% for the Basic Health Plan to support Medicaid services - up from 50% previously; local governments, which previously were slated to receive \$20 million annually, would now receive 3.5% on a per-capita basis; local governments where cannabis retailers are physically located would receive another 1.5% of the available funds, based on the amount of revenue generated within their jurisdictions; and 32% would go to the state General Fund, rather than the unspecified remainder after all other distributions are made under previous law.

The bill also directs the Joint Legislative Audit Review Committee to review expenditure of cannabis revenues and report its findings to the Legislature by Dec.1, 2023. The report will evaluate how funds have been appropriated and spent, whether such spending has been consistent with law, and whether information related to cannabis appropriations and expenditures is readily available to the general public. Options for increasing transparency and accountability of how cannabis revenue is used will be included.

Bill Number: SB 5940

This bill creates a license endorsement allowing domestic licensed alcohol manufacturers to provide contract packaging services to other alcohol manufacturing licensees in Washington. This bill adds new section to chapter 66.24 RCW.

2022 Legislative Session

Businesses licensed under RCW 66.24.150 hold a license as “manufacturers of liquor.” Despite the fact that it is common to refer to distillers, brewers and wineries as “manufacturers,” the license awarded under 66.24.150 specifically excluded distillers, microbreweries, wineries and domestic brewers. Based on a legislator’s request, the LCB assisted in drafting legislation (Senate Bill 5909) approved by the Legislature in 2019 to allow certain liquor manufacturer license holders to provide packaging services to distillers, breweries and wineries. This legislation also allowed the liquor manufacturer license holders to contract with other non-liquor licensed businesses if the contract does not include alcohol products.

This bill creates an endorsement allowing distillers, craft distillers, domestic breweries, microbreweries and wineries to contract with these same type of licensees to provide packaging services. Services may include: canning, bottling and bagging alcoholic products; mixing products before packaging; repacking finished products into mixed consumer packs among other services. The endorsement allows contracting with other non-liquor licensed businesses if the contract does not include alcohol products. The annual fee for the endorsement is \$100. The LCB must approve written requests for such endorsements for any authorized licensee in good standing without further requirements for additional licensing or administrative review.

Cannabis Revenue Disbursements Appendix

Cannabis Revenue | FY 2022 Financial Disbursements

Agency	\$ Disbursement
State General Fund	\$ 157,065,574
Basic Health Account	264,470,455
Local Governments	20,000,000
Washington State Health Care Authority <ul style="list-style-type: none"> Primary health and dental care services provided by community health centers Healthy Youth and Young Adult Surveys Contract with the WA Institute for Public Health Policy for cost-benefit evaluation 	53,183,411
Department of Health <ul style="list-style-type: none"> Cannabis education and public health programs Administration of cannabis authorization database 	9,035,816
Washington State Patrol <ul style="list-style-type: none"> Drug Enforcement Task Force 	2,201,155
Univ. of Washington Alcohol and Drug Abuse Institute <ul style="list-style-type: none"> Research on impacts of cannabis use Web-based public education (www.LearnAboutMarijuanaWA.org) 	263,000
Washington State University <ul style="list-style-type: none"> Research on impacts of cannabis use 	138,000
Department of Agriculture <ul style="list-style-type: none"> Compliance-based lab analysis of pesticides in cannabis 	586,307
Superintendent of Public Instruction <ul style="list-style-type: none"> School drop-out prevention 	317,377
Department of Ecology <ul style="list-style-type: none"> Cannabis testing labs: protocols and accreditation standards 	184,700
Department of Commerce <ul style="list-style-type: none"> Social equity grants Technical assistance 	59,330
Washington State Liquor and Cannabis Board <ul style="list-style-type: none"> Administration and regulation operations 	11,840,801

Washington State Liquor and Cannabis Board

Mission

Promote public safety and trust through fair administration, education, and enforcement of liquor, cannabis, tobacco, and vapor laws.

lcb.wa.gov