



Annual Report

Fiscal Year 2023

lcb.wa.gov

Legalization of Adult-Use Cannabis 2013 - 2022

10 Years of Legalized Adult-Use Cannabis

In November 2012, Washington State voters enacted I-502, legalizing the production and retail sale of cannabis for adult-use. Washington joined Colorado as the first pioneering states despite federal prohibition.

10 years later, nearly half of all states and the District of Columbia have legalized adult-use cannabis while the prohibition still remains.

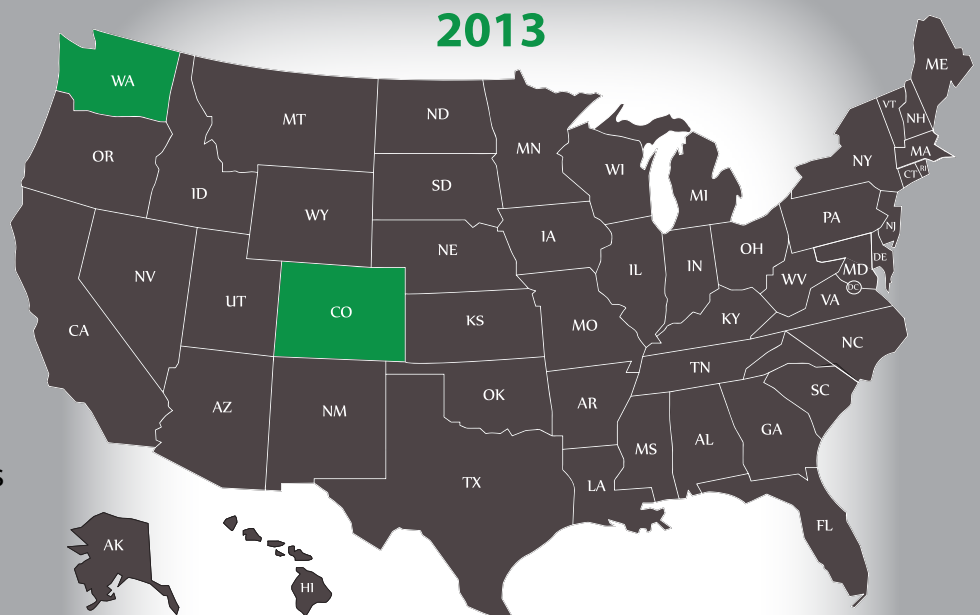


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Pacific Nomad Media's Kevin Brady and LCB Diversity Committee Chair Letty Mendez working on a new employee Diversity, Equity, Inclusion, and Belonging (DEIB) video. For details, see page 23.

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Message from the Board

Adult-Use Cannabis: 10 Years into Washington's Pioneering Effort

It is our pleasure to present to you the Fiscal Year 2023 Liquor and Cannabis Board (LCB) Annual Report. This report details the agency's accomplishments and operations from July 1, 2022 through June 30, 2023.

On this year's report cover we highlight the rapid growth of adult-use cannabis regulatory systems since Washington and Colorado pioneered the first state-sanctioned systems of producing, processing, and retailing cannabis. Ten years have passed since voters enacted Initiative 502 by a margin 55.7% to 44.3%. In that time, the state has collected \$3.31 billion in excise tax and \$37.32 million in fees alone through FY 2023. The revenue funds many important state responsibilities including health care, health education, and cannabis-related research. However, the revenue is only part of the story.

Washington's experience overall has had other positive results. As promised by I-502 advocates, legalization drove many illicit market cannabis dealers out of business while empowering people to start businesses, create jobs, and avoid criminal charges for a now-legal activity. The federal government's only guidance, 2013's so-called "Cole Memo," emphasized the Dept. of Justice's key concerns: 1) preventing youth access, 2) keeping out the criminal element and 3) preventing diversion of product outside the regulated system. By these measures, Washington State has been largely successful.

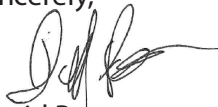
- Studies show youth consumption has not significantly increased;
- A recent independent study showed that Washington leads the nation in cannabis consumers buying from regulated retail outlets rather than the illicit market;
- Tight licensing restrictions reduce the risk of bad actors entering the regulated system;
- While diversion is always a risk, Washington has not seen its impact as significantly as some other states.

While Washington's pioneering experiment has netted some important benefits, there are still challenges that remain.

- Social Equity. In FY 2023, the LCB continued the necessary steps to extend opportunity to individuals from communities that were disproportionately harmed by the war on drugs. As of this writing, the first retail cannabis social equity licenses are being issued and work is underway on the next phase which was authorized by the 2023 Legislature.
- Banking. Unlike any other business, the federal prohibition continues to impact banking services by requiring transactions to be done in cash.
- Evolving Marketplace. Despite the 10-year milestone, the industry is still new and constantly evolving. Regulators in all states are faced with emergent trends, new products, and changing consumer behaviors that could impact public health.

Inside these pages you'll learn more about these issues as well as much more on our agency activities and the other industries we regulate. Thank you for your review. We look forward to our continued collaborations in the year ahead.

Sincerely,



David Postman
Board Chair



Ollie Garrett
Board Member



Jim Vollendroff
Board Member



William Lukela
Director

Board and Director Biographies

David Postman, Board Chair

David Postman, of Olympia, was appointed as Board Chair effective Mar. 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.



Ollie Garrett, Board Member

Ollie A. Garrett, of Kirkland, was appointed to the Board in Aug. 2016. She is president and CEO of PMT Solutions, a Bellevue-based collection company that provides comprehensive check collection and receivable management services for businesses.

Garrett is serving her eighth term as president of Tabor 100, an association working to further economic power, educational excellence and social equity for African Americans and the community at large. Garrett is a former at-large appointee of the King County Civil Rights Commission, former co-chair of the Office of Minority and Women's Business Enterprises, and former appointed board member of the Washington State Community Economic Revitalization Board, the Employment Security Advisory Board, and the Washington Economic Development Finance Authority. She is also a former member of the Rainier Vista Boys & Girls Club Advisory Board.



Jim Vollendroff, Board Member

Jim Vollendroff, MPA, has 35 years of experience in the behavioral health field. He most recently served as the Behavioral Health Senior Advisor for Policy and Advocacy for the Department of Psychiatry and Behavioral Sciences at the University of Washington (UW). In Jan. 2019 he was recruited to be the founding director of the Harborview/UW Medicine Behavioral Health Institute, a position he held until early 2021.

In addition, for 16 years he served in top leadership roles at the King County Department of Community and Human Services including 11 years as deputy director and five years as director the King County Behavioral Health and Recovery Division. Jim's first day as a Board member was May 2, 2022.



William Lukela, Director

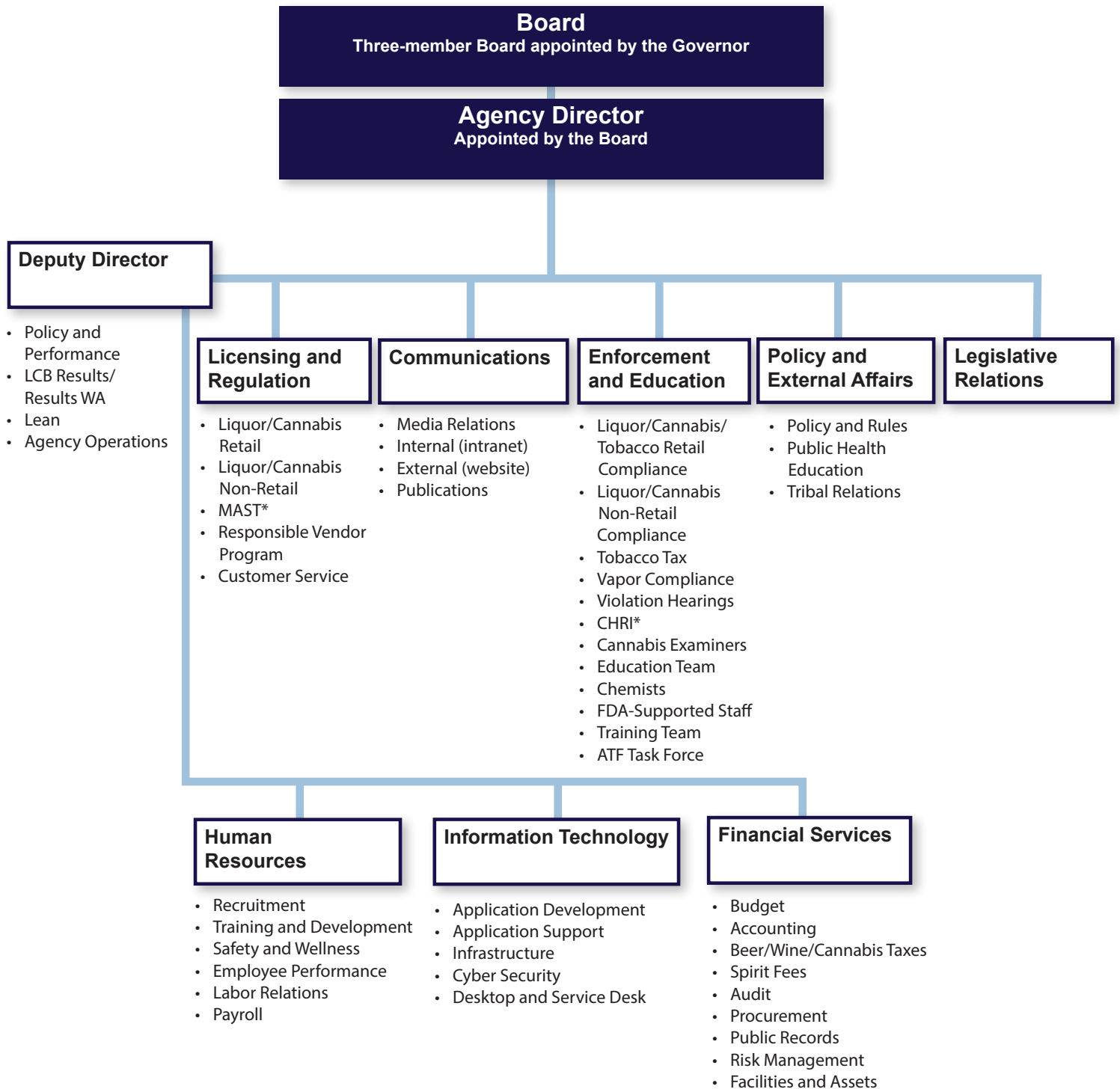
William N. "Will" Lukela joined the Liquor and Cannabis Board (LCB) as agency Director in July 2023. In that capacity, he will oversee the day-to-day operations of the agency.

Lukela served formerly as deputy chief of Licensing for the Colorado Dept. of Revenue, Marijuana Enforcement Division. In that capacity, he had oversight, management, supervision and leadership of licensing staff including criminal and compliance investigators, section managers, licensing specialists and business analysts assigned to headquarter and regional offices.

Lukela is experienced in large-scale regulatory initiatives. Under his leadership at the Colorado Dept. of Revenue, Lukela helped transition the Marijuana Enforcement Division from an enforcement philosophy to a philosophy focused on collaboration, education, and compliance, utilizing progressive discipline when appropriate. In addition, he is committed to, and engaged with, agency diversity, equity, and inclusion efforts.



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 services and strives for consistency in its 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 2023 Staffing Chart

Director	1
Deputy Chiefs	2
Captains	7
Lieutenants	24
Officers	101
Compliance Consultant Supervisors	2
Compliance Consultants	10
Examiner Supervisor	1
Examiners	3
Chemist Supervisor	1
Chemists	2
Evidence Coordinator	1
Hearing Officer	1
Management Analysts	2
Program Manager	1
Criminal Records Coordinators	2
Support Staff	11
Education Program Manager	1
Advertising Coordinator	1
Education Specialist	1
Program Specialists	2
Inspectors	6
Investigative Aides	4
Total Staff	187

Number of Licenses*	FY 2022	FY 2023
Liquor	18,657	18,756
Cannabis	1,796	1,767
Tobacco	5,836	5,932
Vapor	3,981	4,074

*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	6
East	12	4

Tobacco Tax Unit	Officers
Statewide Unit	13

Vapor Unit	Officers
Statewide Unit	6

Vacancies as of June 30, 2023

Officers	33
Captains	1
Non-Commissioned	3
Total	37

Enforcement and Education

Hiring and Recruiting

The Enforcement and Education Recruiting Team is made up of seven staff from various Enforcement and Education units across the state. This team works together to identify recruiting needs, develop recruiting materials, and coordinate LCB representation at job fairs. In FY 2023, this team attended 11 job fairs and advertised LCB positions with the U.S. Military, NLLEA, NCSLA, CJTC, colleges, LinkedIn, Indeed, Pink, Handshake, VFW, and in various newspapers. The team's recruitment video is available on YouTube.

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 candidate background review, coordinate position advertisement, and strive for diverse interview panels. In FY 2023 they put up billboard ads in Milton, Vancouver, Wenatchee, and Yakima, and had a banner at Funko Field in Everett.

Hiring and Recruiting Efforts	FY 2023
Recruiting	28
Interviews conducted	234
*PST backgrounds completed	91
Staff hired	35

**PST backgrounds are for Law Enforcement Officers only.*



Recruiting event (June 2023)



Swearing in: Officer Tu and Director Wax

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 operating a state-regulated business. These tools include premises 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 (NTC), 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 element.

Support Visits	FY 2022	FY 2023
Licensee Support Visits	19,953	20,970
COVID-19 Licensee Support Visits	2,708	0

Focus on Education

This FY, the division 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 2023	Contacts	% of Total	% in FY 2022
Regulatory	9,984	37%	36%
Youth Access to Restricted Products	3,822	14%	12%
Public Safety	3,488	8%	13%
COVID-19	1,898	7%	4%
Licensing/Permits	1,176	5%	4%

Total Educational Contacts FY 2023	Contacts	Hours	People
Liquor	16,440	2,711	28,437
Cannabis	8,843	2,152	14,056
Tobacco/Vapor	1,799	317	2,347
Total	27,802	5,180	44,840

Premises Checks

Premises 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 and/or to answer their questions.

Premises Checks	FY 2022	FY 2023
Liquor Premises Checks	27,876	27,885
Tobacco Premises Checks	2,835	3,332
Cannabis Premises Checks	4,796	5,692
Vapor Premises Checks	2,147	2,215

Compliance Checks: Prevent Youth Access

LCB prioritizes preventing youth access to age-restricted products in Washington State. Compliance checks are a specialized check involving an LCB officer and an investigative aide (IA) who is 18-20 years old to assess retailer compliance with age-restricted product laws. This process involves a controlled, age-restricted product purchase attempt by the underage IA 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.

Compliance Rates

FY	Liquor	Cannabis	Tobacco	Vapor
2023	80%	95%	84%	71%
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 2022	FY 2023
Liquor	2,997	2,770
Tobacco/vapor products	1,122	1,222
Cannabis	486	966

Enforcement and Education

Notice to Correct (NTC)

A Notice to Correct (NTC), as outlined in WAC 314-55-502, is not a formal enforcement action. Instead, they are used for educational purposes when identifying regulatory conditions that are not in compliance. WAC 314-55-505 describes when an NTC is not required. Most such circumstances are related to public safety violations, previous notices to correct and/or history of other enforcement actions. In these situations, an Administrative Violation Notice (AVN) could be used in lieu of the NTC.

Administrative Violation Notice (AVN)

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

Licensees accused of a violation can accept the recommended penalty, negotiate a compromise through an informal settlement conference, 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 suspended and/or revoked by action of the Board.

Notices issued	FY 2022	FY 2023
NTCs Issued	178	583
AVNs Issued	1,030	912

Complaint Investigations

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

Complaint Investigations	FY 2022	FY 2023
Liquor	2,796	1,098
Cannabis	348	804
Tobacco/Vapor Products	369	378
Total	3,513	2,280

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. They focus on prevention of youth access, conduct, and alcohol over-service. They carry 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 and Regulation 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 available online.



An LCB recruitment advertisement in Vancouver, WA.

The Manufacturers, Importers and Wholesalers (MIW) Unit is a separate team assigned to educate and regulate non-retail industry members. These include wineries, breweries, distilleries, manufacturers, importers, distributors, farmers markets, and international common carriers such as airlines and cruise ships. MIW officers work directly with industry members and retailers by providing education, conducting inspections, reviewing advertising and promotions, and investigating complaints to verify compliance. This statewide unit of six officers and one lieutenant regulate over 2,300 in-state and over 3,000 out-of-state licensees. They strive to ensure equal opportunity for all licensees, regardless of size or experience. MIW officers promote public safety through prevention of over-service and youth access to alcohol.

Cannabis

The Cannabis Education and Enforcement Unit consists of 28 commissioned staff who regulate 1,796 licensed cannabis producers, processors and retailers. 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 reporting system compliance, and ensuring licensed operations are conducted by the true party of interest.

In March 2023, the Enforcement and Education Division moved the compliance consultants under the oversight of the Education Program manager and created two consultant supervisor positions. This unit provides education and technical assistance to licensees. The consultants and supervisors are assigned to geographic areas to provide statewide coverage, facilitate consistency, and help build strong working relationships.

Tobacco Tax

The Tobacco Tax Unit has 14 commissioned officers who provide services to 5,836 licensees statewide. This unit pursues strategies to reduce smuggled, contraband, and otherwise untaxed cigarette and tobacco products. In FY 2023 the Tobacco Tax Unit seized 18 large boxes full of untaxed, foreign-manufactured, moist-snuff tobacco that was shipped from California resulting in a \$393,192 tax assessment.

The Tobacco Tax Unit's goal is to influence the trafficking and sale of untaxed tobacco products and to enforce the Master Settlement Agreement which imposes financial and operating restrictions, including prohibitions on advertising to youth, upon tobacco companies. This unit enforces all regulations associated with transportation, distribution, and sales of cigarette and tobacco products. This year, over 221 unstamped packs of cigarettes have been located and seized by officers.

Additionally, this team conducted tobacco tax audits at licensed establishments in Washington State resulting in over \$1,112,691 in assessments sent to Dept. of Revenue for unreported vapor taxes.

In FY 2023, the Tobacco Tax Unit referred over \$3,759,712 to the Dept. of Revenue for review and collection of unpaid tobacco and vapor product taxes. In cooperation with the Tobacco Tax, Vapor, and Liquor Units one emergency suspension was conducted for repeated sales of cigarettes and liquor to a person under age 21. This location was within one mile of a local high school and the University of Washington. Its closure had a significant impact to youth access to age-restricted products.

The Tobacco Tax Unit maintains state and federal partnerships, including one employee assigned as a Task Force Officer with the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF). ATF is a law enforcement agency within the U.S. Dept. of

Enforcement and Education

Justice that protects our communities from violent criminals, criminal organizations, the illegal use and trafficking of firearms, the illegal use and storage of explosives, acts of arson and bombings, acts of terrorism, and the illegal diversion of alcohol and tobacco products. LCB officers assisted ATF in conducting two comprehensive PACT Act (Prevent All Cigarette Trafficking) inspections on large tobacco distributors in central Washington last year. LCB is now awaiting disbursement of over \$400,000 in asset-sharing funds from past seizures – in one ATF case totaling over a million dollars.

Vapor

The Vapor Unit has six commissioned employees who provide services to 3,981 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.

This team assisted other LCB units including helping with seizures, undercover details, audits, and serving search warrants. They issued Board-approved emergency suspensions for aggravated instances of repeated violations for sales to minors.

In FY 2023, the Vapor Unit was primarily tasked with completing the Dept. of Health SYNAR contract. SYNAR is a federal program created to reduce tobacco access and availability to minors across the United States and its territories. This year over 900 locations were checked by these officers and Investigative Aides to ensure public safety and compliance with checking identification of youthful appearing people trying to obtain age-restricted products.

The Vapor Unit is the first point of contact for addressing public complaints on licensed locations selling to youth, selling alleged counterfeit

product, or improperly reporting age-restricted products on receipts, i.e., selling a vapor device and ringing it up as a bag of chips. They are often the first to recognize vapor-related tax violations when they review invoices from licensed locations and find they have been purchasing from unlicensed distributors and no tax has been reported. They then notify the Tobacco Tax Unit to perform an audit on those cases.

This year, the Vapor Unit assisted local police departments in using new LightLab3 analyzing equipment to determine the presence of THC content in products recovered during a search warrant.

Vapor officers remain the subject matter experts in identifying synthetic THC, THC, and prohibited CBD products in the marketplace. Jointly, the Vapor Unit and Tobacco Tax Unit have located and seized over 1,623 synthetic THC, THC, or prohibited CBD products in non-cannabis licensed locations. Synthetic THC is a human-made chemical that mimics the effects of THC, the main psychoactive ingredient in cannabis. These seized products were all found in licensed stores that were not age-restricted and readily available to youth.

Food and Drug Administration (FDA)

Tobacco Inspections

The FDA Tobacco Inspection Program is comprised of eight staff who maintain FDA-commission credentials. Under federal authority, this team conducts tobacco inspections at licensed tobacco and vapor retailers to verify compliance with federal regulation of the manufacture, distribution, and marketing of tobacco and vapor products to protect public health in Washington State.

FDA Inspections and Violations	FY 2022	FY 2023
Inspections conducted	3,475	3,693
Violation referrals to FDA for sales to minors	724	551

Enforcement and Education

Education Program

The Education Program includes 11 cannabis Compliance Consultants located statewide, as well as two Compliance Consultant supervisors – one on each side of the state – who also work a field area as full-time consultants. The Compliance Consultants provide an educational presence in the field working with cannabis licensees on final inspections, annual education visits, and providing responsible sales training classes. The goal of the Compliance Consultants is to spend most of their time in the field, in-person, with the cannabis industry.

In addition to the field staff the Education Program includes an Advertising Coordinator, Education Specialist, and a Program Manager. The Advertising Coordinator specializes in advertising issues related to cannabis, spends time in the field with licensees and Compliance Consultants, and covers the LCB's advertising email account for liquor manufacturers, importers, and wholesalers. The Education Specialist works with Compliance Consultants, officers, and licensees to identify education needs for cannabis, liquor, tobacco, and vapor. This position is a resource for staff to create needed educational content and increase the Enforcement and Education Division's ability to provide effective resources on a variety of compliance topics. A main function of the Education Specialist is to identify educational opportunities and participate in outreach with licensees.

The Enforcement and Education Division is dedicated to providing education to licensees and stakeholders of the industries the agency regulates. They provide opportunities for stakeholders to identify educational needs to help them maintain public safety goals and compliance with state laws and rules.

Chemist Unit

The Chemist Unit consists of one supervisor and two Chemists responsible for the following:

- Analyzing CCRS data for certified laboratory failures and appropriate reporting
- Managing and reviewing WSDA pesticide results and appropriate reporting
- Assisting with pesticide analysis policy and procedure development
- Assisting with pesticide field investigations at producers and processors
- Certified I-502 laboratory
 - auditing
 - investigations
 - compliance checks
 - proficiency testing
- Cannabis Laboratory Analysis Standards (CLASP) Team
 - Developing new laboratory standards rules and methods
 - Assisting with LCB rule development for new accreditation authority
- Assisting LCB Rules team with rule changes and developing new rules
- General Enforcement and Education assistance
- Assisting with LightLab3
- Assisting Ecology with DDX remediation study

FY 2023 Chemist Field Investigations

10-THC	2
Pesticide	4
Laboratory	6

FY 2023 Chemist I-502 Laboratory Status

Total I-502 Certified Laboratories	8
Emergency Suspensions	1
AVNs	4
Complaints	3
Surveillance Audits Completed	6

Enforcement and Education

Examiner Unit

The Examiner Unit consists of one supervisor and two Examiners responsible for providing traceability analysis on cannabis licensee's required submissions to the state-designated system. This includes using the analysis efforts to assist in enforcement investigations related to diversion, inversion, and synthetic creation. This team provides training and resources to licensees to assist them in submitting data to the state reporting system Cannabis Central Reporting System (CCRS).

The Examiner Unit also assists LCB officers with field investigations and provides onsite education with Compliance Consultants on use of the state-designated reporting system.

During FY 2023, the Examiner Unit completed 154 hours in the field assisting officers and consultants regarding diversion, pesticide, synthetic creation, and traceability education. The Examiner Unit participated in the implementation of the CCRS manifest, system user guide updates, and the creation of CCRS alerts.

The unit provided over 100 reports on licensee CCRS activity to LCB officers and consultants to assist with education and investigative efforts. The Examiner Unit had 250 contacts with licensees, officers, and consultants regarding CCRS assistance for errors, product identification, and identifying traceability data.

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 2023, the Evidence Unit assisted with six search warrants across the state. They processed

over 500 cases of evidence, and conducted three separate destruction activities destroying adjudicated evidence items. Evidence entry and tracking has recently been moved to a portal entry system for ease of use by LCB officers.

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 bought technology as a result of an AVN to verify customer age in order to minimize underage sales, in addition to transitioning cases to the formal hearing process.

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

Hearing Outcomes	FY 2022	FY 2023
Informal hearings conducted	367	363
Resolved at informal hearing	349	347
Cases forwarded to the Board for formal hearings	18	16



BLEA Graduation, Captain Dzubay, Officer Locke (graduate), Lt. Rieder, Sgt. Portaro

Enforcement and Education

Training Unit

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. The training helps 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 an opportunity for interaction and collaboration that would otherwise be unavailable.

Training highlights from this year's annual in-service included:

- Use of Force
- Burning Shield
- Diversity, Equity, Inclusion and Belonging
- Peer Support
- Meeting Your New Research Team
- Licensee Relations
- Over-Service Training

Officers and division employees were provided these additional trainings:

- 15 hours: Job-Specific Technical Skills
 - Firearms and Defensive Tactics (with a focus on Reality-Based Training)
- 1.5 hours: Law Updates
- 2 hours: Crisis Intervention Training: PTSD
 - Help prepare officers to work with Veterans in crisis, and to apply peer support actions to help each other when experiencing significant stress
- 16 hours: Supervisor Specific Training
 - Help employees foster our division mission, provide consistency, and collaboration



Annual In-Service Training, September 2023

Licensing and Regulation

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 76 employees and is the second largest division within the LCB.

Cannabis Social Equity Program

This year, the agency made significant progress in implementing the Cannabis Social Equity Program. The program is intended to create pathways for those disproportionately harmed by the war on drugs to potentially gain a retail cannabis license. LCB opened the application window in Mar. 2023 to accept applications for cannabis retail licenses and received nearly 500 applications for 46 available licenses.

Employees from throughout the agency worked collaboratively to prepare for the application process, including:

- Program rules were adopted by the Board on Oct. 12, 2022, and were effective Nov. 22, 2023.
- Contracted with the social equity third-party contractor, Ponder Diversity Group, to review and score all social equity applications.
- Coordinated with the Dept. of Revenue Business Licensing Services to determine and test system requirements to accept business license applications.
- Completed and published disproportionately impacted area maps, to help applicants identify if they met program qualifications.
- Partnered with a third-party contractor, MakeGreenGo, to facilitate training and outreach sessions.
 - Held four eWebinars for potential applicants covering information about the application process; over 350 individuals attended.

- Coordinated with the Dept. of Commerce and MakeGreenGo on instructional videos specific to the LCB licensing applications, on topics including:
 - Social Equity Program Overview,
 - Social Equity Application Process,
 - How to Submit an Application,
 - How to Complete a Social Equity Plan,
 - Cannabis Laws and Rules
 - Cannabis Licensing Overview
- Hired a Social Equity Program Manager to oversee the program, including working with contractors, community members, employees, and other interested stakeholders.
- Notified cities and counties that have available social equity allotments in their area to provide information about the upcoming program.
- Maintained the LCB Social Equity website content.
- Provided updates throughout the year to the Board and the public.

With the passing of Senate Bill 5080, the LCB will continue its efforts to improve and expand the Social Equity Program. This bill authorizes the LCB to issue additional licenses and makes changes to the existing program. Prior to accepting new applications, the LCB will be engaging in rulemaking, conducting lessons-learned sessions, and engaging with community members, stakeholders, and other interested parties to focus on areas of improvement.



LCB's Cannabis Social Equity Program logo

Systems Modernization Project

The Licensing Division continues to focus on the Systems Modernization Project (SMP) to replace the LCB's aging computer systems. The first release of the Licensing, Enforcement, Education, and Administrative Data System (LEEADS) was scheduled to go live in July 2023. This phase of the project includes automating public records requests, and banquet and household move permits. The next release will add automation to our additional permit and licensing application processes, making the licensing process more efficient and easier for licensees to navigate. The division has dedicated two subject matter experts full time to the project. The subject matter experts translate the work of the division for the integration contractor to build the new system. The Deputy Director of Licensing continues to provide program and business direction to the project. The project has also engaged employees from every program in the division, and from across the agency, to provide insight into the nuances of our work.

Customer Service Unit

The Customer Service Unit supports internal and external customers by answering phone calls and correspondence regarding liquor and cannabis licensing protocols, and rules and regulations. The Customer Service Unit responded to 15,403 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	1444
Raffle Permits	156
Special Occasions	3231
Wine Association Events	8
Other	1044

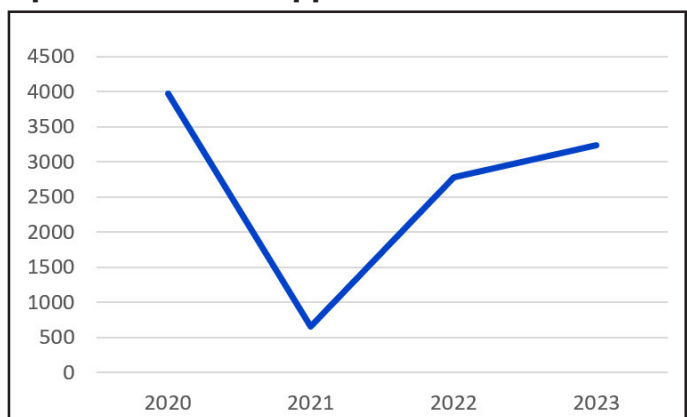
Special Occasion Licenses

A special occasion license allows a nonprofit organization to sell liquor at an event including fundraising dinners, galas, festivals, auctions, and wine tastings. This past year, the unit issued over 3,200 licenses, which is nearly 400 more applications than the previous year.

Special occasion applicants may request minors to be present in areas that are typically alcohol restricted. The applicant must submit an addendum with their special occasion application and receive advanced permission from the LCB. The unit reviews these requests in collaboration with the Enforcement and Education Division to ensure there are measures in place to prevent sales to minors. This year, 89 requests for all-age events were received.

The Customer Service Unit and local Liquor Enforcement Officers participated in educating nonprofit organizations throughout the state on how to hold a successful event. These sessions have been a great opportunity for collaboration with the Enforcement and Education Division while helping to educate nonprofits.

Special Occasions Approved



Licensing and Regulation

Liquor Licensing Unit

The Liquor Licensing Unit issues liquor licenses for businesses including:

Examples of Businesses Issued Liquor Licenses

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

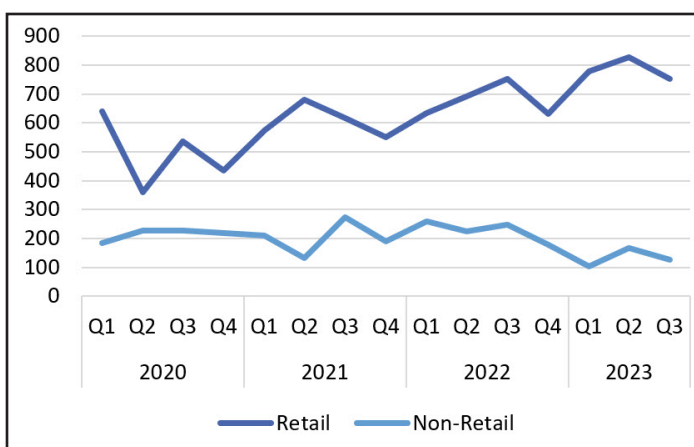
Active Liquor License Count

Type	2020	2021	2022	2023
Retail	18,376	18,473	18,708	18,948
Non-Retail	7,963	8,216	8,317	8,647

Liquor License Applications

In FY 2022, a total of 3,887 applications were received. In FY 2023, a total of 3,854 applications were received. On average, liquor applications were issued in 71 days – within division processing timeline goals.

Liquor Applications Received



Pilot Program

After a bill requiring a decrease to certain liquor license application timelines was proposed during the 2023 Legislative Session, the Liquor Licensing

Unit started a pilot program in effort to reduce processing timelines.

The program was launched in May 2023 with a goal of processing certain license types within 45 days, a decrease from the existing 60-90-day processing goal. The unit reduced the time allowed for applicants to submit required documents and decreased the time licensing employees had to review the documentation. The unit will continue to collect data, by monitoring timelines and other trends, and by collecting feedback from applicants to determine if adjustments are needed. The feedback and overall results of the program will help the unit determine if the pilot program will become a permanent process.

The chart below identifies the most common new license types.

New Retail Licenses Types Issued Between FY 2021 and FY 2023

	2021	2022	2023
Beer/Wine Restaurants	270	281	346
Beer/Wine Specialty Shops	75	48	60
Catering	11	26	28
Combo S/B/W Grocery	22	19	9
Combo S/B/W Specialty Shop	3	2	12
Gift Delivery B/W	23	14	7
Grocery Stores	159	137	161
Hotels/Motels	14	17	12
Night Clubs	3	20	12
S/B/W Restaurants	279	320	481
Sports Entertainment Facilities	0	9	4
Snack Bars	29	37	60
Spirit Retailers	6	6	2
Taverns	22	39	39
Theaters	2	11	9

Cannabis Licensing Unit

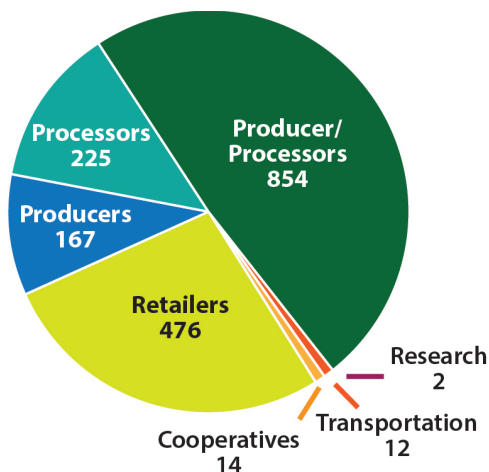
The Cannabis Licensing Unit processes applications for cannabis retailers, producers, processors, transporters, and researchers. The unit also oversees the registration for cooperatives and retail title certificates.

There are currently 1,750 active cannabis licenses and 45 retail title certificate holders.

Improved Application Timelines

In Jan. 2023, the Cannabis Unit implemented changes to provide better customer service to applicants and improve application processing times. Prior to Jan. 2023, the average processing time from application receipt to approval was 134 days. Applicants now receive notification when their application is received, the contact for the Licensing Specialist assigned to their application, and next steps. Additionally, applicants are contacted within two days to schedule a phone interview. The phone interview is then completed within seven days. All documents received from the applicant are reviewed within seven days as well. In addition, build-out periods were reduced from no time limit to 30 days. The team worked collaboratively with the Enforcement and Education Division to complete final inspections within two weeks. With the new changes implemented, the average processing time was reduced from 134 to 85 days.

Active Cannabis Licenses



Policy and Education Unit

The Policy and Education Unit consists of the Licensing Division Training and Data and Education Teams. The unit works collaboratively with employees throughout the division and agency 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 supported units across the division this year by providing onboarding support and training for 28 new employees or employees moving into a new position. The team developed training and resources for internal and external customers to improve consistency among employees and other divisions throughout the LCB. This included supporting the SMP team with the adoption and integration of Laserfiche. The Training Team provided tutorials to Licensing staff, created Laserfiche guides and resources, and answered questions during the Laserfiche transition. The Training Team also provided internal training, external resources, and updated applications on licensing policy, rule, and legislative changes. A new position was created on the team this year, a Policy and Procedure Specialist, who has taken on the work of reviewing the division's policies and procedures to ensure they are up to date with current practices.

Small Business Liaison Team (SBLT)

Two Licensing employees participate on the Small Business Liaison Team, a team created by the Governor's Office for Regulatory Innovation & Assistance. The Small Business Liaison Team is a place where small business owners can learn about the regulatory requirements of multiple agencies, in one location. To support small business owners, the LCB participated in the annual small business fair to provide guidance on the licensing process.

Licensing and Regulation



Sharlene Cepeda and Zoila Melendez at the LCB's Biz Fair table.

This past year through virtual and in-person engagement, employees covered topics on new license types, rule changes, and special events. In addition to the small business fair, employees also participated in other association events to provide information and resources for liquor and cannabis licenses.

Responsible Vendor Program (RVP)

The RVP is a voluntary program for retailers selling alcohol for off-premises consumption. The team focused on new outreach efforts to qualifying licensees to increase program participation. As a result, 176 stores registered for the program and over 1,500 store employees completed the LCB-provided online training. As part of this program, retailers are required to create best practices and train employees on responsible alcohol sales. This year, the team worked with retailers to improve their training curriculum, resulting in improved training for employees at 190 stores across the state.

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 conducting alcohol tastings or filling growlers. The LCB certifies third-party providers who train, administer the exam, and issue permits. There are 23 certified courses in Washington State which issued over 51,000 permits this past year.

This past legislative session the law changed, and all MAST providers were required to update their curriculum to include best practices on alcohol delivery. The team worked in collaboration with the Enforcement and Education Division to create training on the requirements and best practices for delivering alcohol. The team notified all 23 providers of the changes and reviewed all curriculum changes within 45 days.

Compliance and Adjudication Unit

The Compliance and Adjudication Unit reviews applications, licenses, and license renewals when it has been determined that the application or licensing qualifications may not have been met or if public safety concerns have been identified by the local jurisdiction where the business operates.

The unit supports the division by managing bankruptcies, issuing suspension requests from the Finance Division, receiverships, discovery requests during litigation, sports entertainment facility operating plans, licensee legal contract review, and packaging and labeling requirements for cannabis and liquor products.

This year, the unit expanded by adding two positions to support the division. The Licensing Compliance Specialist assists with alcohol operating and safety plan reviews, estates, bankruptcies, receiverships, and contract reviews. The Program Specialist supports adjudications and completes discovery requests for the Assistant Attorney General.

Sports Entertainment Facilities

The unit works with Sports Entertainment Facilities (SEFs), both small and large, to evaluate and develop Alcohol Operating Plans that allow for the varying complexities of each unique venue, address public safety concerns, and meet the requirements outlined in agency rules. If the SEF requests levels of alcohol service outside the standard allowances within existing rule, the unit works with them to address public safety issues and develop a plan to present to the Board for

Licensing and Regulation

consideration of a pilot project. The unit prepares a request for the Board with data relating to the facility's ejection rates, DUI rates, incidents linked to intoxication, violation history, and input from the local jurisdiction and the Enforcement and Education Division. If the request aligns with public safety goals, the Board may approve a pilot program for a specific length of time to assess whether the program receives permanent approval. During the pilot program, there is continued collaboration between Licensing, Enforcement, and the licensee to monitor the program and discuss areas of success or needed improvements. This past year, there were three active pilot programs, and one new approval for another pilot program.

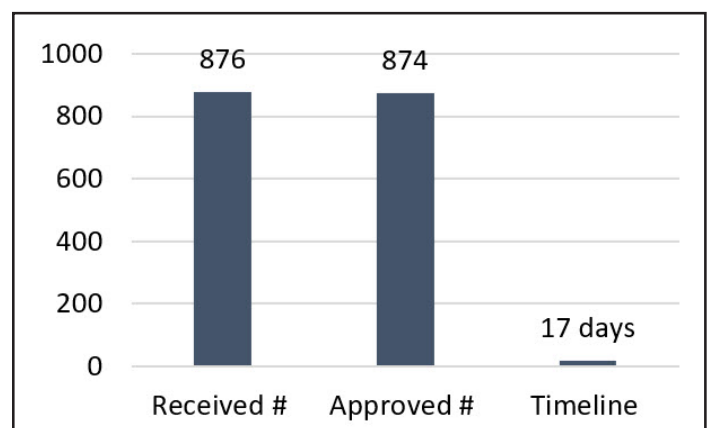
Cannabis Package, Label, and Product Review

All cannabis processor licensees must get a packaging approval from LCB for all cannabis-infused edible products meant for oral ingestion before offering these items for sale to a cannabis retailer. This past year, the unit received 876

products for review. Cannabis-infused edible products, packaging, or labeling submitted for review and approval are approved in an average of 17 days. The factors that contribute to the number of days it takes for approval are:

- Submissions submitted correctly the first time
- Revisions submitted quickly
- Workload of unit

Products, Packaging, and Labeling



Licensing staff photo, March 2023

Policy Program

Policy Program

LCB's Policy Program includes multiple disciplines and work units including rule development, analysis and research, stakeholder and government outreach, public health and prevention, and Tribal relations.

The program provides a critical function for the agency. It focuses on developing agency policy and rules for alcohol, cannabis, tobacco, and vapor products in alignment 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 rules, issuing interpretive and policy statements, and leading policy discussions related to state, national, and international interest.

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

Rule Development

In FY 2023, the policy and rules unit received 24 rule petitions for Board consideration. These included:

- 9 alcohol rule petitions
- 14 cannabis rule petitions
- 1 vapor product rule petitions

Of the received petitions, nine were accepted, 13 were denied, and two carried into FY 2024.

Overall, eight rule projects were completed, and one was withdrawn. Completed project include:

- Axe Throwing at Liquor Licensed Premises
- Electronic Transmission of Documents for Service and Filing

- Implementation of Senate Bill 5940 - Contract Packaging Services Endorsement for Breweries, Wineries, and Distilleries
- Pesticide Action Levels
- Replacing "Marijuana" with "Cannabis"
- Social Equity in Cannabis
- Substitute Senate Bill 5448 Implementation
- Updating Obsolete Addresses in Title 314 WAC

The policy program also published two policy statements and two interpretive statements:

- **Policy Statement Number PS22-02** – Alcohol Infused Frozen Products
- **Policy Statement Number PS22-03** – Transfer of Wet Flower from Licensed Cannabis Producers to Licensed Cannabis Processor
- **Interpretive Statement Number IS23-01** – Measuring Cannabis Plant Canopy
- **Interpretive Statement Number IS22-01** – Use of Additives in Authorized Cannabis Products

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 2023, in addition to stakeholder engagement associated with individual rule projects, the team conducted two World Café Forums on Cannabis Canopy and established the Cannabinoid Science Workgroup. This workgroup included scientists from outside the LCB. Their work informs LCB policy, which includes technical scientific issues. Topics explored and discussed included:

- Definition of Cannabinoids
- Cannabis Contaminants: Sources, Distribution, Human Toxicity and Pharmacological Effect (Dryburgh et al., 2018)
- Cannabis Contaminants: Regulating Solvents, Microbes, and Metals in Legal Weed (Seltenrich, 2019)

- Regulatory Status of Pesticide Residues in Cannabis: Implications to Medical use in Neurological Cases (Pinkhasova et al., 2020)
- Pesticides and Environmental Justice (Donely, et al., 2022)

Public Health Commitment

LCB has a dedicated Public Health Education Liaison. The program contributes to reducing underage access and substance use and adult high-risk use of alcohol, cannabis, and other substances. Focus is on considering public health and safety implications and evidence-based practices when developing and enforcing laws and policies. This position engages with internal staff and external partners and stakeholders, including other state agencies, statewide organizations, local coalitions, local jurisdictions, and individuals who share the common goal of healthy and safe communities in Washington state.

Research, Data, and Collaboration

Public health and prevention research, data, and evidence-based practices inform policy discussions and program development. The LCB has developed relationships and collaborated with researchers in the state and across the country to help them better understand our regulatory systems and data. The researchers, in turn, have conducted research that informs our work.

Partnerships have included researchers from the Washington State University, the University of Washington, Oregon Health Authority – Multnomah County Health, George Washington University, Washington University in St. Louis, the University of North Carolina, the University of California – San Diego, and the University of Waterloo (Canada).

Stakeholder communication continues to be a top priority. We provide monthly updates on rulemaking, legislative activities, and participation opportunities in LCB work. Quarterly roundtable meetings provide a forum for LCB to share updates and activities, and gain feedback and insights from

participants. It is also an opportunity to learn about emerging and ongoing issues and concerns.

The Public Health Education Liaison collaborates with several agencies and organizations to 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 is co-chair)
- The Strategic Prevention Enhancement Consortium and workgroups
- The WA Impaired Driving Advisory Council
- The Prevention Research Sub-Committee
- WA Healthy Youth Survey Planning Committee
- International Cannabis Policy Study (ICPS) – Council of State and Territorial Epidemiologists (CSTE) – Cannabis Regulators Association (CANNRA)

The LCB also provides sponsorship support for the annual Washington Prevention Summit.



Public Health Education Liaison Mary Segawa recognized for the Lifetime Achievement award by members of the public health and prevention community. Mary will retire in December 2023.

Policy Program

Other Public Health Education Liaison Projects:

- LCB liaison and resource for cities that have Alcohol Impact Areas
- Participation in CANNRA committees
- Development of educational materials
- Addressing youth access to age-restricted products
- Cannabis consumer survey development

New Programs in FY 2023

In the interest of improving relations with Tribal governments, LCB solicited input on Tribal interests and program design. The LCB brought all Tribal relations work into the agency policy unit so the Tribes would have a single point of contact for Tribal negotiations related to alcohol Memorandums of Agreement (MOAs) and cannabis compacts, as well as direct access to Director's Office staff involved in state policy development that may impact Tribal communities.

Using Tribal feedback on our Tribal relations approach, LCB redesigned its internal program and hired a dedicated Tribal and Government Liaison. LCB recognized how the previous non-centralized approach to Tribal relations created confusion for Tribal Nations. One goal of the newly designed approach is to gain broader Tribal engagement. This includes overall policy interests and understanding how laws and rules impact Tribes, exploring health implications of state policy on Tribal communities, and establishing education to prevent youth purchases of age-restricted products. This approach also requires the Tribal liaison to manage alcohol MOAs and cannabis compacts negotiations.

Tribal Relations in FY 2023

This past year's focus with Tribes included completing cannabis compacts, as well as updating and amending cannabis compacts and liquor Memorandums of Agreement (MOAs) to

adjust to the changes Tribes experienced. Cannabis remains a significant source of tax revenue for the state and Tribes. Tribes use this cannabis revenue to support Tribal services. The governor has designated the LCB to negotiate agreements with Tribes that are interested in establishing cannabis programs and/or incorporating liquor privileges into their new or existing establishments that meet state requirements.

In 2022, the Legislature clarified the LCB's cannabis compacting authority when it passed SSHB 1210. Specifically, this provided clarity on which transactions may be exempted from Tribal cannabis taxes when compacting with the state. LCB continues to work with Tribes to adopt cannabis compacts and has completed 22 Tribal cannabis compacts. Two of those were completed this past year with the Spokane and Hoh Tribes.

- During 2022, we worked on Tribal cannabis compact amendments with Cowlitz, Port Gamble S'Klallam, Quileute, Samish, Shoalwater Bay, and Squaxin Island. This typically involved adding new elements and locations.
- State and Tribal governments are negotiating two proposed cannabis compacts.



LCB Tribal and Government Liaison Dr. Marla Conwell's table at the 2023 LCB Recognition Event.

Diversity, Equity, Inclusion, and Belonging (DEIB)

Diversity, Equity, Inclusion, and Belonging (DEIB)

The LCB strives to promote Diversity, Equity, Inclusion, and Belonging (DEIB) in all aspects of its work. This includes a commitment to its workforce and community partners. LCB's Diversity Council began in 2015 as an agencywide staff workgroup focused on building, educating, and inspiring an inclusive workforce. Governor Inslee's Executive Order 22-04 introduced the Pro-Equity Anti-Racism Ecosystem Plan & Playbook designed to bring state employees and communities together to bridge opportunity gaps and reduce disparities so everyone in Washington flourishes and achieves their full potential - in other words - public servants with a shared desire for promoting equity, justice, access, and belonging for the people we serve and our colleagues who serve them.

In consultation with the state's Office of Equity, LCB leadership formed its PEAR Team—also represented by all LCB Divisions—in May 2022 as a commitment to being an anti-racist government system and state.

LCB Diversity Council FY 2023 Highlights:

- Designed DEIB intranet website pages for staff to more easily access information and tools related to anti-racism work including direct links to statewide Business Resource Groups (BRG's), Office of Equity resources, and state HR workforce metrics dashboards.
- Established a BRG support subcommittee to build/maintain statewide relationships with their respective leadership, including strengthened information sharing with LCB staff.
- Created a DEIB video in collaboration with LCB Communications, Human Resources, and Director's Office by and for the LCB "work family" which now features prominently across all job postings and is shown during every HR New Employee Orientation (NEO) event.

LCB PEAR Team Highlights:

- Focused on ensuring a DEIB lens is always applied to LCB engagement, partnerships, public communications, community education, and workforce equity across the agency.
- Hosted an introductory staff intersectionality training describing ways in which systems of inequality based on gender, race, ethnicity, sexual orientation, gender identity, disability, class, and other forms of discrimination intersect to create unique dynamics and effects.
- Consulted with the Office of Equity on the development and implementation of LCB's first Community Stakeholder Lived Experience Compensation policy as a commitment to engaging and partnering with community to improve processes and inform equitable outcomes in agency policy, programs, and services.
- Assisted the LCB Policy and External Affairs team in the creation and recruitment of the agency's first standalone Tribal and Government Liaison position.
- Formed a Community Collaboration subcommittee to help amplify all customers' voices in partnership with the LCB by actively seeking community members to join its PEAR Team.
- Produced a BRG Giving Campaign in conjunction with LCB Finance, Human Resources team, and Director's Office where \$40,000 was donated to statewide BRG's, including: Blacks United in Leadership and Diversity (BUILD), Disability Inclusion Network (DIN), Hawaiians, Asians, & Pacific Islanders Promoting an Empowerment Network (HAPPEN), Latino Leadership Network (LLN), Rainbow Alliance and Inclusion Network (RAIN), Veteran's Employee Resource Group (VERG) and Washington Immigrant Network (WIN) in solidarity with achieving pro-equity and social justice across state government.

Planning and Process Improvement

Strategic Planning

The five-year Strategic Plan is a roadmap for the agency, outlining the LCB's future direction and strengthening the agency's foundations. The current plan has 18 strategies based on these 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 LCB as the employer of choice.
- Ensure operational and customer service excellence.

The agency continues to make progress towards its strategic goals and will soon begin work on the next five-year plan for the years spanning 2024-2029.

LCB Results

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

The sessions allow staff a chance to share continuous improvement successes. In the spirit of continuous improvement, several divisions recently restructured their Results reporting. This ensures a focus on relevant data in order to identify areas where more attention is needed.

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 trainings and activities, including the state's annual Lean Transformation Conference. Here are a few examples of how LCB is improving its processes:

The **Cannabis Unit** (Officers, Compliance Consultants, Examiners, and Chemists) continues to find ways to collect and interpret data to more effectively identify product diversion, identify risks related to recalls, conduct investigations on these topics, and to provide education to industry members.

Enforcement and Education launched an **Education Program** in Mar. 2023. It continues to grow and meet goals. More specifically, the program is using industry feedback and trends to create relevant education materials and to ensure consistency in how LCB makes education and information available. The team also partnered with Licensing to improve final inspection processes and tracking including:

- May-June completed 89 final inspections
- All final inspections completed within 14 days

Finance Division made compliance improvements for two key processes:

When an agency delegation of authority form is approved, an online training must be taken within 90 days. In Dec. 2022 the agency was 32% compliant with this requirement. As of the summer of 2023, the agency is now 97% compliant.

Similarly, to drive a motor vehicle on behalf of the agency, drivers must complete online defensive driving training within 90 days. In Dec. 2022 agency was 80% compliant. As of July 30, the agency compliance is at 98%.

Income

Liquor Taxes and License Fees (includes penalties)

Spirits Fees	\$ 196.6	\$ 195.5
Beer Tax	30.6	33.7
Wine Tax (not including assessment)	26.6	24.9
Liquor License Fees	7.3	10.7

Total Liquor Income

\$ 261.0 million **\$ 264.7million**

Cannabis Taxes and License Fees (includes penalties)

Cannabis Tax	\$ 511.1	\$ 464.5
Cannabis License Fees	4.1	4.0

Total Cannabis Income

\$ 515.2 million **\$ 468.5 million**

Tobacco

Total Tobacco Income

\$ 0.5 million **\$ 0.4 million**

Total Income

\$ 776.7 million **\$ 733.7 million**

Expenses

Operating Expenses

Licensing	\$ 5.2	\$ 6.4
Enforcement	16.8	18.9
General	23.3	41.5

Total Operating Expenses

\$ 45.4 million **\$ 66.8 million**

Distributions/Appropriations

Distributed to State/Local Governments	\$ 671.9	\$ 598.7
State Agency Appropriations	68.3	67.7

Total Distribution/Appropriations

\$ 740.2 million **\$ 666.5 million**

Total Expenses/Distributions

\$ 785.6 million **\$ 733.2 million**

Financial Statement

Income	FY 2022	FY 2023	Difference
Liquor Taxes and License Fees (includes penalties)			
Spirit Fees	\$ 196,563,149	\$ 195,485,076	\$ (1,078,073)
Beer Tax	30,600,403	33,663,620	3,063,217
Wine Tax (not incl. assessment)	26,594,459	24,859,834	(1,734,625)
Liquor License Fees	7,276,687	10,676,594	3,399,907
Total	\$ 261,034,698	\$ 264,685,124	\$ 3,650,426
Other Liquor Income	\$ 9,233	\$ 21,237	\$ 12,004
Total Liquor Income	\$ 261,043,931	\$ 264,706,361	\$ 3,662,430
Cannabis Taxes and License Fees (includes penalties)			
Cannabis Tax	\$ 511,123,712	\$ 464,496,959	\$ (46,626,753)
Cannabis License Fees	4,068,630	4,018,788	(49,841)
Other Cannabis Income	2,300	1,563	(738)
Total Cannabis Income	\$ 515,194,642	\$ 468,517,310	\$ (46,677,333)
Tobacco Income	\$ 481,293	\$ 449,380	\$ (31,913)
Other General Fund Income	\$ 853	43	(810)
Total	\$ 776,720,719	\$ 733,673,093	\$ (43,047,626)

Expenses and Distribution	FY 2022	FY 2023	Difference
Operating Expenses			
Licensing	\$ 5,234,557	\$ 6,395,431	\$ 1,160,874
Enforcement	16,805,887	18,941,406	2,135,519
General	23,323,022	41,451,799	18,128,777
Total Operating Expenses	\$ 45,363,466	66,788,636	21,425,171
Distributions/Other Appropriations			
Excess Funds	\$ 156,851,554	\$ 138,683,041	\$ (18,168,513)
Beer Tax	25,097,319	28,092,737	2,995,418
Wine Tax	4,343,689	4,095,178	(248,510)
Liquor Licenses	2,704,048	5,692,689	2,988,641
Tobacco/Vapor	481,293	449,380	(31,913)
Budget Sweeps (Cannabis)	421,536,029	350,082,000	(71,454,029)
Budget Sweeps (Liquor)	(8,593,889)	-	8,593,889
Returned to the State (Liq/Can/Tob)	\$ 602,420,042	\$ 527,095,025	\$ (75,325,017)
Beer Tax to Borders	41,413	32,782	(8,631)
\$ 1.30 Beer Tax	5,492,881	5,330,565	(162,316)
Spirit Fees to Locals	43,945,119	44,107,435	162,316
Returned to Local Gov (Liquor)	\$ 49,479,413	\$ 49,470,782	\$ (8,631)
Returned to Local Gov (Cannabis)	20,000,000	22,157,000	2,157,000
Spent by State Agencies (Cannabis)	65,969,096	65,396,481	(572,615)
Spent by MRSC (Liquor)	2,320,006	2,339,808	19,802
Total Distributions / Spent by Other Approp.	\$ 740,188,557	\$ 666,459,096	\$ (73,729,460)
Total Expenses and Distributions	\$ 785,552,022	\$ 733,247,733	(52,304,289)

Financial Statement

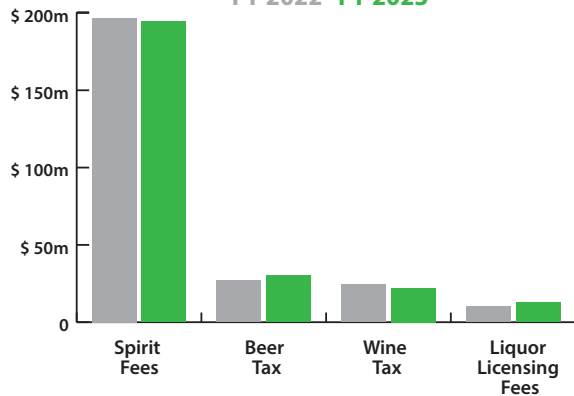
FY 2023 Distributions/Spent by Other Appropriations

Agency	Cannabis	Liquor	Tobacco/ Vapor	Total
General Fund-State & misc sweeps	\$ 119,651,000	\$ 170,466,000	\$ 3,968	\$ 290,120,968
Basic Health Account	230,431,000			230,431,000
Local Governments	22,157,000	49,470,782		71,627,781
Washington State Health Care Authority	48,752,731	4,874,840		53,627,571
Department of Health	11,138,914		445,412	11,584,325
Washington State Patrol	2,423,000	150,000		2,573,000
Municipal Research and Services Center		2,339,808		2,339,808
Department of Agriculture	627,771			627,771
Washington State University	175,000	501,686		676,686
University of Washington	325,000	310,710		635,710
Superintendent of Public Instruction	540,266			540,266
Washington Wine Commission		260,410		260,410
Department of Ecology	164,968			164,968
Department of Commerce	1,248,831			1,248,831
Totals	\$ 437,635,481	\$ 228,374,236	\$ 449,380	\$ 666,459,096

Liquor Taxes and License Fees

Income Comparison Between FY 2022 and FY 2023

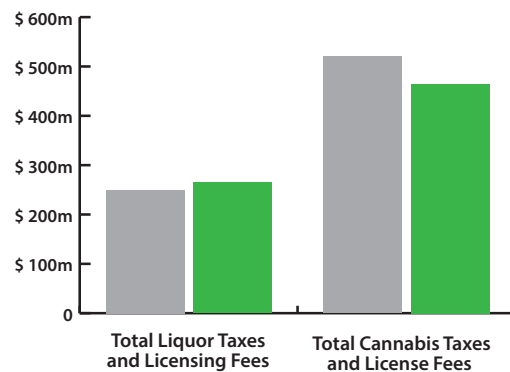
FY 2022 FY 2023



Total Income for Liquor and Cannabis

Income Comparison Between FY 2022 and FY 2023

FY 2022 FY 2023



Cannabis Taxes

Income Comparison Between FY 2022 and FY 2023

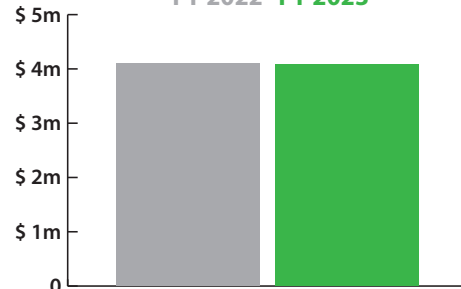
FY 2022 FY 2023



Cannabis License Fees

Income Comparison Between FY 2022 and FY 2023

FY 2022 FY 2023



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2SSB 5263

Access to psilocybin services for individuals 21 years of age and older

2SSB 5263 created the Psilocybin Task Force, with staff and leadership provided by the Health Care Authority (HCA). It must also include LCB's Director, the Secretary of the Dept. of Health, and a wide range of members from within medical, behavioral health, and lived-experience backgrounds who will be appointed by the HCA.

Psilocybin is a mushroom-produced compound which is currently a federal, schedule I controlled substance. Psilocybin can cause changes in mood, perception, and other impacts in the brain. Some research has shown promising therapeutic uses for psilocybin.

Oregon and Colorado passed ballot measures to regulate psilocybin services for adults. The Washington task force will review Oregon's rules, how to integrate behavioral health professionals into psilocybin therapy, and if LCB's cannabis tracking system (CCRS) could be used for psilocybin. The task force must review research, clinical studies, therapy options, and identify gaps in current research to help guide future studies by state universities. Finally, they would review regulatory structures and processes around the world to see how to best address public health, safety, and availability of psilocybin services.

The bill states that the new task force supersedes an existing work group and will carry on the work on this topic beyond the work group's final report. The task force's authority expires on June 30, 2024.

The bill directs the University of Washington's Department of Psychiatry and Behavioral Science to create and administer a Psilocybin Therapy Services Pilot Program offering psilocybin therapy to adults who are experiencing post-traumatic stress disorder, mood disorders, or substance-use disorders. The UW Department must give an initial assessment of participant goals, assess participant history, and provide patient follow up.

HB 1772

Prohibiting products that combine alcohol and THC

This bill prohibits the manufacture, import, offer, or sale of any product that contains both alcohol and THC.

Alcohol and THC (tetrahydrocannabinol) both impact the brain, and both can impair those who consume them. In recent years many companies began developing and selling THC-infused beverages, including some companies that also manufacture alcoholic beverages.

There are no products currently for sale legally in Washington that combine both alcohol and THC in the same product. Research shows that mixing alcohol and THC can magnify the impacts of either substance on their own, and could pose risks to consumers. THC can impede the ability of a person who has consumed too much alcohol to vomit, and alcohol slows the rate at which the body metabolizes THC. Studies of college students who consume both products show that students drink more alcohol when they also use cannabis than they do when they only drink alcohol.

SSB 5448

Delivery of Alcohol

After the COVID-19 pandemic restrictions ended, LCB revisited temporary allowances put in place by the 2021 Legislature (HB 1480) in support of licensee businesses hit hard from emergency restrictions.

SSB 5448 made permanent some of the 1480 privileges, while allowing others to expire.

- Curbside sales of alcohol and the sale of cocktail kits with mini bottles of spirits expired and were discontinued.
- Takeout sales of growlers and outdoor service from on-premises licensees were made permanent.
- Alcohol delivery was extended to July 1, 2025, however deliveries are allowed by employees of the licensee only. Delivery types include

growlers, cocktails, wine, and beer, and impacts several types of restaurants, wineries, breweries, and distilleries (grocery stores are not impacted).

- For all deliveries, the signature of a person over 21 years old who receives the order must be obtained by the delivery driver. This includes beer and wine restaurants, who had been able to use third-party delivery services prior to the pandemic.

The LCB must report to the Legislature and Governor by Nov. 1st, 2023, with recommendations for alcohol delivery policies, including on a consistent structure for delivery licenses, endorsements, and fees. It must also include a comprehensive plan for compliance and preventing underage sales of alcohol via deliveries.

E2SSB 5080

Expanding and improving the Social Equity in Cannabis Program

E2SSB 5080 expands and modifies the Social Equity in Cannabis program in several ways. It creates 52 new retail licenses (the first expansion of cannabis retail outlets in several years) and makes them available to social equity applicants.

The bill also directs the LCB to make other license types available to the program to include: 100 processor licenses and 10 producer licenses. These licenses are not new licenses; they had been returned to the Board over time as licensees left the industry. Applications for these licenses must be scored by a third-party under contract with the Board. These licenses may only be sold or transferred to other individuals or groups who also meet social equity applicant requirements for a period of five years.

The current Social Equity in Cannabis program was created in 2020 through HB 2870. The goal was to address long-standing disparities in cannabis retail licensing and low ownership rates by racial and ethnic minorities in Washington's cannabis retail system. That program provided a limited number

of retail licenses that had been returned to the LCB and allowed qualified applicants to apply for them. The qualification criteria and more background on the agency's Social Equity Program are available at www.lcb.wa.gov/cannabis-social-equity.

HB 2870 also created a Social Equity in Cannabis Task Force, which submitted recommendations to the Legislature and state agencies just prior to the 2023 session. Among them were a recommendation to target any new cannabis licenses to the Social Equity program through the year 2029.

Under E2SSB 5080 new Social Equity retail licenses are not subject to the caps on retail locations by county and city found in RCW 69.50.345. These licenses may locate in any city, town, or county that allows retail cannabis, and licensees do not need to have a location at the time of licensure. Once they have a location, however, the business cannot move to another jurisdiction. While these new licenses can locate anywhere, the bill also directs the Board to adopt rules establishing a threshold or cap on the number of licenses that can be located in each county in the state.

The bill creates a process by which local governments can use (preexisting) zoning ordinances to deny licensure at a specific location by making an objection to the LCB. In addition, the LCB must consider written local jurisdiction objections regarding retail outlet density when determining how many new licenses may be issued, and the LCB is directed to write rules to formalize this process. The bill changes the applicant criteria for the new Social Equity Program licenses further defining "Disproportionately Impacted Area" maps. The LCB must also create criteria to determine when and if further expansion to the number of retail outlets is warranted, based on population growth data. It also directs the Joint Legislative Audit and Review Committee (JLARC) to conduct a study of cannabis canopy in the state to help understand the market for new cannabis production in Washington. All retail outlets are

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also encouraged to submit to the Board a “Social Equity Plan.” Each non-Social Equity licensee who submits a plan can receive a reimbursement of their annual license fee on a one-time basis and for one location (if they hold more than one license).

E2SSB 5367

Concerning the regulation of products containing THC

Background on hemp-derived THC considerations during E2SSB 5367 legislative discussion: Existing state law defined cannabis as “all parts of the cannabis plant with a THC concentration greater than 0.3%,” and the specific form of THC used in determining THC content as Delta-9 THC. There are several isomers (molecules with the same basic structure, but with differing arrangement of atoms within the molecule) of THC, including Delta-9, Delta-8, Delta-10 THC, and Cannabidiol (CBD), among many others. These isomers can be converted into others, including Delta-8 THC. Delta-8 can be converted into Delta-9, etc.

The federal 2018 Farm Bill legalized and defined hemp, as “cannabis plants containing less than 0.3% THC,” allowing many hemp products to be sold and marketed across the nation. Shortly thereafter, many companies began producing, marketing, and selling hemp-derived Delta-8 THC products. Sold online and in convenience stores, these products are not regulated in the legal cannabis market. Many of these manufacturers and retailers argued that these products are hemp products, and not THC products, because they are derived from hemp as defined and allowed by the Farm Bill.

Similarly, many hemp-derived CBD products contained higher levels of THC, albeit combined with many other cannabinoids. So-called “full spectrum” products contain all the cannabinoids produced by the cannabis plant, while “broad spectrum” products have the THC removed chemically.

E2SSB 5367 bill defined “hemp consumable” as

a product meant to be ingested that contains no detectable THC. The definition of “cannabis” was amended to include all forms of THC when measuring THC content and concentration instead of limiting it to Delta-9 THC specifically. The sale, manufacture, or distribute synthetically derived or completely synthetic cannabinoids are outlawed, except for products approved by the FDA, or health and beauty aids.

Cannabis was defined as all parts of the cannabis plant with a THC concentration above 0.3%, but E2SSB 5367 states that it must be above that level during the growing cycle through harvest and in final, usable, form. Prior law allowed CBD from outside the state-regulated market to be used as an additive to cannabis products. The bill maintains that allowance for CBD, if it is not a cannabis product, and is not synthetically derived.

A Hemp in Food Task Force created in 2022, recommended, among other things, that hemp be restricted to pre-packaged foods, and that foods must not exceed 0.3% THC and set a cap on the total milligrams of THC and THC-like cannabinoids in final products.

Summary

The bill defines “hemp consumable” as a product meant to be ingested that contains no detectable THC.

The definition of “cannabis” was amended to include all forms of THC when measuring THC content and concentration instead of limiting it to Delta-9 THC specifically.

The sale, manufacture, or distribution of synthetically derived or completely synthetic cannabinoids are outlawed, except for products approved by the FDA, or health and beauty aids.

Cannabis is defined as all parts of the cannabis plant with a THC concentration above 0.3%, but the bill states that it must be above that level during the growing cycle through harvest and in final, usable, form.

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ESHB 1731

Complimentary liquor by short-term rental operators

ESHB 1731 adds a new alcohol permit type for short-term rental operators of overnight accommodations (for example, Bed and Breakfasts, vacation cabins, weekend rentals, etc.). The bill allows the business to provide a free bottle of wine to guests. Operators can only provide one bottle – regardless of the number of guests – and they must verify the age of each guest who will consume the wine. Guests must be informed prior to arrival and must have a way to decline the bottle. The \$75 annual permit also allows the operator to buy wine from a distributor or a retailer.

There are also a limited number of business types that may provide alcohol to guests for free. RCW 66.12.240 allows wedding boutiques and art galleries to offer and provide wine or beer by the glass to guests without charge. In addition, there are several permits that enable businesses or facilities that are not licensed to serve or sell alcohol for a particular event. Examples include banquet permits for private parties or a nonprofit group to auction wine at a private event.

ESSB 5365

Preventing use of vapor and tobacco products by minors

ESSB 5365 creates a two-tiered system of penalties for retailers who violate tobacco or vapor products laws. The existing fines (\$200 for first offense, rising to \$3,000 for the fourth) now apply only to lower-level violations such as the failure to display adequate signage. A new, higher, set of fines and suspensions now applies to underage

sales of tobacco and vapor products: \$1,000 for the first violation, \$2,500 for the second within three years, \$5,000 for the third, and \$10,000 for the fourth, which also comes with a 12-month license suspension.

Since 2019, tobacco and vapor products may only be sold to people at least 21 years old. The bill raising the legal purchase age from 18 to 21 did not make the possession of tobacco by persons 18-20 years old a civil infraction. However, people below age 18 commit a class 3 civil infraction if they buy or attempt to buy tobacco or vapor products.

LCB enforces laws governing underage sales of tobacco and vapor products and uses youth compliance checks and other means to assess retailer compliance. Both LCB Enforcement and Education staff and all general authority law enforcement officers have the right to stop and detain a person they suspect is under 18 and who was purchasing or attempting to purchase tobacco and vapor products. Any tobacco or vapor products can be seized by the officers if they determine the person is under 18.

The bill removes the ability of general authority law enforcement officers to stop a suspected underage buyer of tobacco and vapor products. LCB Enforcement and Education officers may stop suspected underage buyers, but only within 100 feet of a tobacco or vapor retailer. If LCB staff do these stops, they must collect, analyze and report specific data including possible disparities in the demographics of the youth stopped by Enforcement officers, and the training of the officers.

Finally, the bill requires that enforcement personnel that perform stops of suspected youth buyers must at least begin training from the US Department of Justice's Office of Juvenile Justice and Delinquency Prevention by July 1, 2024. However, section 8 of the bill states that nothing in the bill can be interpreted as limiting the ability

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of either a peace officer/general authority law enforcement officer or an LCB officer to enforce the laws on underage tobacco or unlicensed sales of tobacco.

ESSB HB 1730

Allowing people 18 years of age or older to work in certain 21 year and older establishments

Until July 23, 2023, state law allowed limited employment of people ages 18-20 to work in alcohol-licensed businesses; however, they could not work directly for the licensee. For example, musicians and disc jockeys were allowed to perform in a bar. Licensees could also contract for janitorial or security employees ages 18-20. These exceptions required the underage person to leave as soon as their purpose for being in the licensed premise was over.

During the COVID-19 pandemic, the LCB created a temporary allowance for minor-restricted establishments to directly hire people 18-20 to work in non-alcohol related jobs (washing dishes, cooking, cleaning, etc.). The employee could not serve food or alcohol, could not interact with guests, could not possess, or serve alcohol at any point, and had to always have a supervisor at least 21 years old present. This temporary allowance expired on Sept. 30, 2022.

The bill now allows people ages 18-20 to work in minor-restricted businesses under the same conditions as the temporary allowance. The liquor licensee may also directly employ people ages 18-20 to perform job duties unrelated to alcohol, if they have a supervisor present, do not interact with guests, and never possess or serve alcohol.

SHB 1132

Oversight and training requirements for limited authority Washington peace officers and agencies

LCB officers are considered “limited authority officers,” as their powers are limited to enforcing laws within their governing Board’s regulatory authority. Prior to SHB 1132 passage, some limited authority law enforcement officers, including those employed by the LCB, attended basic training at the Criminal Justice Training Commission (CJTC).

Before SHB 1132 there was some lack of clarity on the definitions and requirements for the types of law enforcement personnel trained, certified, and disciplined by the CJTC.

SHB 1132 added some limited authority law enforcement personnel to the definition of “law enforcement personnel” in RCW 43.101.010. Specifically, those limited authority officers, “who, as a normal part of their duties has power of arrest and carries a firearm,” would be defined as requiring certification and training by the CJTC.

The legislation has specific training and certification timelines, expirations, and transferability requirements that apply to LCB officers.

Appendix: Cannabis Revenue Distributions

Cannabis Revenue | FY 2023 Financial Disbursements

Agency	\$ Disbursement
State General Fund & misc sweeps	119,651,000
Basic Health Account	230,431,000
Local Governments	22,157,000
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 	48,752,731
Department of Health <ul style="list-style-type: none"> Cannabis education and public health programs Administration of cannabis authorization database 	11,138,914
Washington State Patrol <ul style="list-style-type: none"> Drug Enforcement Task Force 	2,423,000
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) 	325,000
Washington State University <ul style="list-style-type: none"> Research on impacts of cannabis use 	175,000
Department of Agriculture <ul style="list-style-type: none"> Compliance-based lab analysis of pesticides in cannabis 	627,771
Superintendent of Public Instruction <ul style="list-style-type: none"> School drop-out prevention 	540,266
Department of Ecology <ul style="list-style-type: none"> Cannabis testing labs: protocols and accreditation standards 	164,968
Department of Commerce <ul style="list-style-type: none"> Social equity grants Technical assistance 	1,248,831
Washington State Liquor and Cannabis Board <ul style="list-style-type: none"> Administration and regulation operations 	11,931,297

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