



Washington State
Liquor and Cannabis Board

Annual Report

Fiscal Year 2024



Table of Contents

Message from the Board	2
Board/Director Biographies	3
Organizational Structure	4
Enforcement and Education	5-13
Licensing and Regulation	14-20
Policy Program	21-23
Diversity, Equity, Inclusion, and Belonging (DEIB)	24
Strategic Plan 2024-2029	25-26
Financial Statement • Revenue Distribution	27-29
Cannabis Revenue Distributions	30
2023 Legislative Session	31-34



Anita Bingham, Toni Hood, Becky Smith, Rachel Swanner, Chandra Wax, and Ollie Garrett speak to LCB employees during a DEIB Council Panel on Equity.

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Washington State Liquor and Cannabis Board

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Message from the Board

December 2024

It is our pleasure to present to you the Fiscal Year 2024 Liquor and Cannabis Board (LCB) Annual Report. This report details the agency's accomplishments and operations from July 1, 2023 – June 30, 2024.

Overall, the LCB operates in a dynamic business and regulatory environment where change and innovation are the norm. The agency constantly strives to adapt to trends in each of the industries we regulate. In FY 2024, the LCB launched or built upon initiatives to help ensure we're positioned to be on the leading edge of emerging trends.

FY 2024 Highlights

- **2024-2029 Strategic Plan.** The LCB Board and management team developed and adopted a five-year plan that includes a slightly modified mission to include public health as well as new goals, values, and strategies for implementing them. You can read the new plan on pages 25 and 26.
- **Systems Modernization Project (SMP).** We continued the multi-year project to replace our outdated technology systems with a single, unified system that will be named Licensing, Education, Enforcement, and Administrative Data System (LEEADS). We'll be launching a major phase in spring 2025 that will yield improved customer experience and convenience such as making most business with LCB available to be done online.
- **Cannabis Social Equity.** The LCB is committed to increasing diversity within the cannabis market and proud of our accomplishments in this area. This effort was initiated by LCB in 2020 (HB 2870) and expanded in 2023 (SB 5080) to create opportunities for those disproportionately harmed by the War on Drugs. The agency has implemented the legislation and begun licensing Social Equity applicants.
- **Research.** The new Research Program solidified this past year. This new team is focused on public safety and public health outcomes, best practice approaches, and evidence-based policy recommendations related to the products, policy, and regulation of alcohol, cannabis, tobacco, and vapor products.
- **Liquor Industry Engagement.** The agency enhanced communication with liquor licensees to strengthen connections with industry and community members through hosting collaboration meetings and training. One key industry collaboration was with large sporting and entertainment venues to establish best practices, prevent youth access, and reduce overservice.

Inside these pages you'll learn more about these issues, and additional agency activities, and the industries we regulate. Thank you for your review. We look forward to continued collaboration 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 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.

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 joined the Board in May 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 oversees the day-to-day operations of the agency.

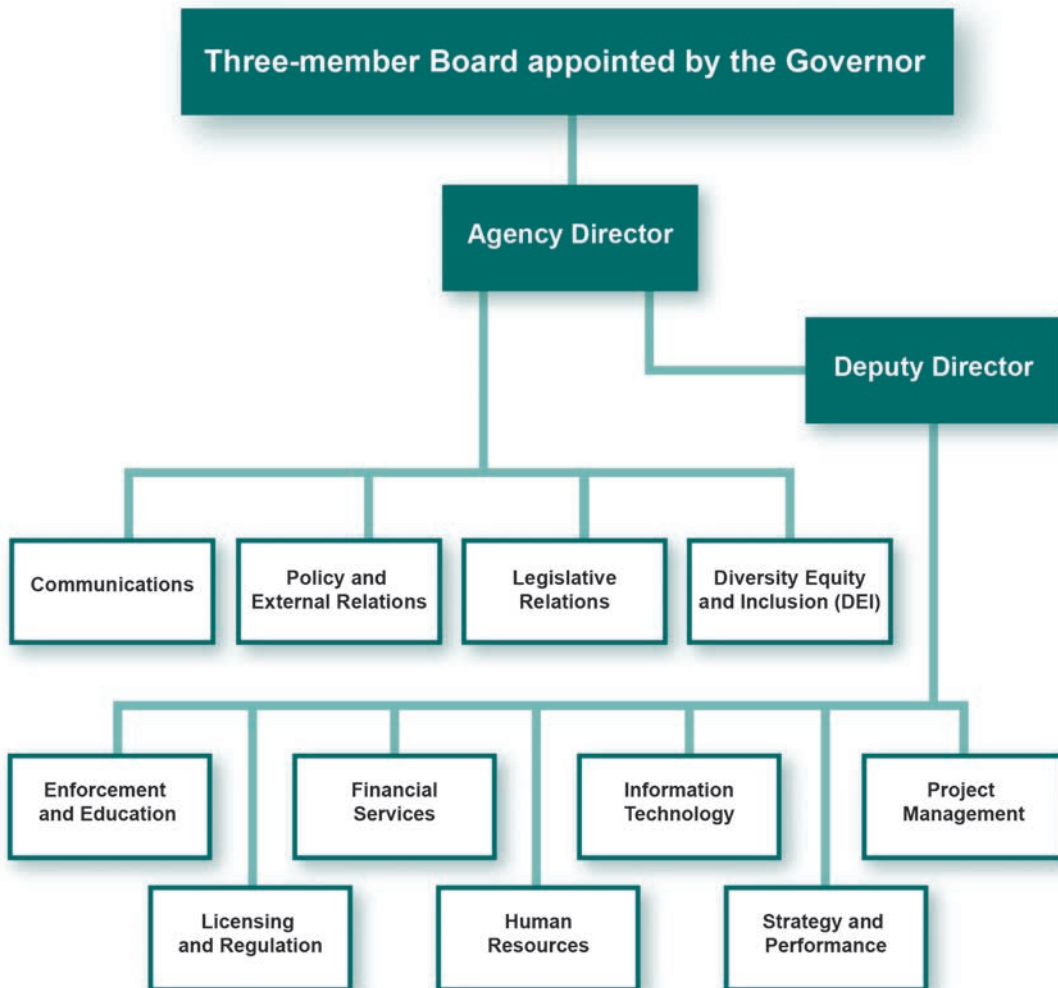
Lukela served formerly as deputy chief of Licensing for the Colorado Dept. of Revenue, Marijuana Enforcement Division. In that capacity, he had oversight, management, supervision and leadership of licensing staff including criminal and compliance investigators, section managers, licensing specialists 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, using progressive discipline when appropriate. In addition, he is committed to, and engaged with, agency diversity, equity, and inclusion efforts.



Organizational Structure

Organizational Chart



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 related 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 law enforcement agencies.

FY 2024 Staffing Chart

Director	1
Deputy Chiefs	2
Captains	8
Lieutenants	24
Officers	104
Compliance Consultant Supervisors	2
Compliance Consultants	11
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	12
Education Program Manager	1
Advertising Coordinator	1
Education Specialist	1
Program Specialists	2
Inspectors	6
Investigative Aides	4
Total Staff	193

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, 2024

Officers	21
Non-Commissioned	1
Total	22

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 agency participation at job fairs. In FY 2024, this team attended 12 job fairs and advertised positions in a wide range of publications and employment sites.

Division staff work with LCB Human Resources to ensure the agency recruits and hires highly qualified, skilled personnel. They use Public Safety Testing (PST) for the candidate background review. They also coordinate position advertisement and strive for diverse interview panels. In FY 2024 they arranged recruitment banners at ice rinks in Puget Sound and position advertisements on 66 Metro busses in Everett to attract candidates from these areas.

Hiring and Recruiting Efforts	FY 2024
Reruiting	12
Interviews conducted	212
*PST backgrounds completed	94
Staff hired	42

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

Enforcement and Education Approach



The evidence van was “wrapped” with a recruitment ad.



Swearing in ceremony for Lt. Gonzalez, with Director Wax.

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 that come with running a 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). An AVN 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 2023	FY 2024
Licensee Support Visits	20,970	19,833

Focus on Education

The division built an Education and Outreach Program to support partnerships, knowledge, and information access. This increases public safety through education that helps licensees understand and comply with Washington's rules and laws.

Top Educational Topics Contacts % of Total FY 2024

Regulatory	9883	38%
Youth Access to Restricted Products	4551	17%
Public Safety	3550	14%
COVID-19	1995	8%
Licensing/Permits	1012	4%

Total Educational Contacts FY 2024

Unit	Contacts	Hours	People
Liquor	14750	2394	25508
Cannabis	9257	2340	14136
Tobacco/Vapor	695	242	224
Total	24702	4976	39868

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 2023	FY 2024
Liquor Premises Checks	27,885	25,950
Tobacco Premises Checks	3,332	2,911
Cannabis Premises Checks	5,692	6,255
Vapor Premises Checks	2,215	2,218

Compliance Checks:

Preventing Youth Access

The 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) that is 18-20 years old. The checks assess the level of compliance related to sales of age-restricted products. This process involves a controlled, age-restricted product purchase attempt by the underage IA under supervision of an LCB officer using a national best-practice model.

Compliance rates demonstrate the industry's success rate in preventing youth access.

Compliance Rates

FY	Liquor	Cannabis	Tobacco	Vapor
2024	77%	95%	88%	83%
2023	80%	95%	84%	71%
2022	77%	92%	80%	75%
2021*	75%	95%	75%	NA
2020*	87%	97%	92%	84%

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

Compliance Checks FY 2023 FY 2024

Liquor	2,770	2792
Tobacco/vapor products	1,222	1581
Cannabis	966	493

Notice to Correct (NTC)

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

Enforcement and Education

Administrative Violation Notice (AVN)

When a licensee is issued an AVN, it includes the details of 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 they 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 a fine or a temporary license suspension, or both. In cases of repeated violations, a license can be revoked by action of the Liquor and Cannabis Board.

Notices Issued	FY 2023	FY 2024
NTCs	583	845
AVNs	912	1034

Complaint Investigations

Complaints are reports of an alcohol, tobacco, vapor product, or cannabis violation made by the public or other stakeholder. The Enforcement and Education Division initiates a complaint investigation on reports alleging violations of state rule or law.

Complaint Investigations	FY 2023	FY 2024
Liquor	1,098	1,279
Cannabis	804	1,132
Tobacco/Vapor Products	378	221
Total	2,280	2632

Liquor Unit

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 also focus on prevention of youth access, illegal conduct, and alcohol over-service. Retail Liquor Unit officers investigate, and address crime associated with liquor-licensed businesses, and unlicensed liquor-related criminal activity. This unit carries out enforcement operations such as underage compliance checks, undercover operations, complaint investigations, search warrants, arrests, and premises inspections. They also 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 on the Responsible Vendor Program (RVP) which provides technical assistance and education to participating alcohol retailer licensees. The RVP training is available to licensees, their staff, other stakeholders, and is available online.

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. The MIW officers and compliance consultants work with industry members and retailers by providing education, conducting inspections, reviewing advertising and promotions, and investigating complaints to verify compliance. This statewide unit of three officers, three compliance consultants, and a lieutenant regulate over 2,300 in-state and over 3,000 out-of-state licensees. The MIW officers promote public safety through prevention of over-service and youth access to alcohol.

Cannabis Unit

The Cannabis Enforcement and Education Unit consists of 28 commissioned staff who regulate over 1,700 licensed cannabis premises. The unit increases public health and safety by ensuring the legal and responsible sale of cannabis.

They focus on youth access, expired licenses, and complaint investigations. Complaint investigations include pesticide use, prevention of diversion, and licensee integrity issues. They also provide regulatory inspection of licensed locations, and continued education for licensees and the public.

Tobacco Tax Unit

The LCB Tobacco Tax Unit has 12 commissioned officers who provide services to over 5,800 licensees statewide. This unit pursues strategies to reduce smuggled, contraband, and otherwise untaxed cigarette and tobacco products.

The goal of the Tobacco Tax Unit is to prevent the trafficking and sale of untaxed tobacco products and to enforce the Tobacco Master Settlement Agreement (MSA) which imposes financial and operating restrictions, including prohibitions on advertising to youth, on tobacco companies. In FY 2024, officers seized 3,256 packs of cigarettes not meeting the requirements of the MSA. This unit enforces all regulations associated with tobacco transportation, distribution, and sales of cigarette and tobacco products.

In FY 2024, they referred over \$2,415,867 to the Department 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 issued for repeated sales of cigarettes and liquor to minors. This location was within a mile of a high school and the University of Washington, and its closure had a significant impact to preventing youth access to age-restricted products.

The Tobacco Tax Unit maintains state and federal partnerships, including an employee who is assigned as a Task Force Officer with the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) regarding the illegal diversion of alcohol and tobacco products.

Vapor Unit

The Vapor Unit has seven commissioned employees who provide services to nearly 4,000 licensees statewide. The purpose of the unit is to enforce laws, provide Washington residents with consumer protection, increase child safety, and prevent youth access. The unit also conducts internet enforcement and helps ensure vapor licensing requirements are met. They educate vapor product retailers, distributors, wholesalers and delivery sales licensees on vapor laws and rules.

In FY 2024 the Vapor Unit 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 2024 the Vapor Unit was primarily tasked with completing a contract with the Department of Health for SYNAR compliance. SYNAR is a federal program created to reduce tobacco access and availability to minors across the U.S. and its territories. This year over 951 locations were checked by these officers and Investigative Aides to ensure public safety and compliance on checking identification of youthful-appearing people trying to buy 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 reviewing invoices from licensed locations and find the licensee has been buying from unlicensed distributors and no tax has been reported. They then notify the Tobacco Tax Unit to perform an audit on those cases.

Enforcement and Education

Vapor Unit officers are 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 2,880 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 tobacco stores and readily available to our youth.

Food and Drug Administration (FDA)

Tobacco Inspections

The FDA Tobacco Inspection Program has 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 2023 **FY 2024**

	FY 2023	FY 2024
Advertising and Labeling Inspections Conducted	1,112	941
Undercover Buy Inspections Conducted	2,762	3,118
Violation Referrals to FDA for Sales to Minors	551	471

Education Program

The Education Program is going through expansion and organizational changes. Once fully staffed the team will have 18 compliance consultants located statewide including four compliance consultant supervisors, three consultants assigned to cannabis (two westside and one eastside), and a liquor consultant supervisor to supervise three liquor consultants located statewide. In FY 2024 the Education Program was asked to create a team of consultants to specifically work with liquor licensees.

The liquor compliance Consultant team will focus primarily on providing an educational presence in the field by doing annual education visits and providing responsible liquor sales training. This will include educating licensees on and checking for compliance with the Responsible Vendor Program requirements, tax reporting, expired license education, and general education on laws and rules for the sale, service, or consumption of liquor. The Education Program is in the process of defining roles, hiring, and training the new liquor consultant positions.

The cannabis compliance consultants received approval for additional full-time staffing. The consultant areas were redrawn, and an additional supervisor was added to the westside of the state. Cannabis consultants spend most of their time doing final inspections for new licenses, change of locations, or alterations, providing education related to non-public safety complaints, performing annual inspections, and engaging in licensee and stakeholder outreach. The compliance consultants will spend most of their time in the field, in-person with licensees.

In addition to field staff, the Education Program team includes an advertising coordinator, education specialist, and a program manager. The advertising coordinator specializes in advertising issues related to cannabis and liquor. This position prioritizes in-person time with licensees and compliance consultants, manages the LCB's advertising inquiries from liquor manufacturers, importers, and wholesalers, and works with Licensing's Packaging and Labeling staff.

The education specialist works with compliance consultants, officers, licensees, and stakeholders both internal and external, to identify education needs for cannabis, liquor, tobacco, and vapor products. This position is a resource for staff to create educational content and increase the Enforcement and Education Division's ability to provide effective and consistent resources on a variety of compliance topics.

Enforcement and Education

The education specialist identifies educational opportunities, participates in outreach with stakeholders, and works with units across the agency to produce needed education on laws and rules.

Chemist Unit

The Chemist Unit consists of one supervisor and two chemists who are responsible for:

- Analyzing Central Cannabis Reporting System (CCRS) data for certified laboratory test failures and appropriate reporting
- Managing and reviewing WSDA pesticide test results and 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, and 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’s Policy and Rules team with rule changes and developing new rules
- General Enforcement and Education Division assistance
- Assisting with LightLab3 as needed
- Assisting Dept. of Ecology with DDX remediation study

Chemist Field Investigations FY2023 FY2024

	FY2023	FY2024
Synthetic Cannabinoid	2	1
Extraction Process	-	4
Pesticide	4	2
Laboratory	6	3

FY 2024 Chemist I-502 Laboratory Status

FY2023 FY2024

	FY2023	FY2024
Total I-502 Certified Laboratories	8	7
Emergency Suspensions	1	1
AVNs	4	3
Complaints	3	5
Surveillance Audits Completed	6	8

Complaints Generated from Testing Failures

FY2023 FY2024

	FY2023	FY2024
I-502 Laboratory Quality Control Failures	83	130
WSDA Laboratory Sampling Failures	30	28
Internally Generated Complaints	16	42

Examiner Unit

The Examiner Unit includes one supervisor and two examiners who are responsible for providing traceability analysis on cannabis licensee's required submissions to the state-designated reporting system. This includes using analysis efforts to assist in enforcement investigations related to diversion, inversion, and synthetic product creation. The team provides training and resources to licensees to assist them in submitting data to the state reporting system.

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

During FY 2024 the Examiner Unit completed 126 hours in the field assisting LCB officers and consultants with diversion, pesticide, synthetic creation, and traceability education. The Examiner Unit provided education to cannabis retailers about the new Medical Cannabis/Patient Tax Exemption.

Enforcement and Education

They implemented data dashboards for CCRS data anomalies, participated in two state audits on traceability, and began planning with the Traceability Project team to replace CCRS.

The Examiner Unit provided over 150 reports on licensee CCRS activity to officers and consultants to assist with education and investigative efforts. The unit had 750 contacts with licensees, officers, consultants, and other LCB staff regarding CCRS consultation, product identification, and rule implementation.

Evidence Unit

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 evidence once cases are concluded. Evidence may be returned to its original owner or destroyed, depending on the outcome.

During FY 2024 the Evidence Unit assisted with five search warrants across the state. They processed over 846 cases that included evidence and conducted four separate destruction activities destroying evidence items for cases that had been adjudicated.

Hearings Unit

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 a Violation Notice to verify customer age and 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 2023	FY 2024
Informal hearings conducted	363	500
Resolved at informal hearing	347	483
Cases forwarded to the Board for formal hearings	16	17

Training Unit

The Training Unit has two employees who 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 (BLEA) in Burien, and tracking and supervising 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.

In FY 2024 Enforcement and Education employees continued to broaden their knowledge, skills and abilities through a variety of training in the following areas:

- Public Safety/Law Enforcement
- Professional Development



Officer Archie and Officer Dayton at a BLEA graduation.

Enforcement and Education

- 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 allows for interaction and collaboration that would otherwise be unavailable.

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

- Reading Body Language
- Search Warrants
- On-the-Job Injuries
- Legal Updates
- Peer Support
- Licensing Updates
- Radio communications
- Trends in liquor and cannabis

Officers and division employees were provided these additional trainings:

- 15 hours: Job-Specific Technical Skills
 - Firearms and Defensive Tactics
 - Reality-Based Training (RBT)
- 2 hours: Crisis Intervention Training:
 - PTSD
 - Substance Use Disorder: Understanding how law enforcement can have constructive interactions with people who present with Substance Use Disorder.
- 4 hours: Law Enforcement Training and Community Safety Act (LETCSA)
 - LGBTQ+ Core Competency
 - Understanding the diversity and complexity of Asian American communities.
- 16 hours: Supervisor-Specific Training
 - To help employees foster the division mission, provide consistency, and collaboration.



Enforcement and Education Division Annual In-Service Training.

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.

This past year, after reflecting on the changing landscape of the division's increased workload, and the growth, scope and complexity, the division restructured. They added a second deputy director position, allowing for a manageable span of control overseeing business operations and administration. The division consists of 78 employees and is the second largest division within the LCB.

Cannabis Social Equity Program

The Cannabis Social Equity Program continued its efforts with local authority outreach, stakeholder engagement, and applicant trainings for future application windows for the Cannabis Social Equity Program. Established through legislation, this program creates pathways into the cannabis market for those most disproportionately harmed by the War on Drugs.

The Social Equity team continues to be a liaison and outlet of resources for Social Equity license applicants selected during the first application window. Through answering questions, being a conduit for applicants with their local jurisdictions, and helping with the navigation of needed documentation or steps towards licensure, the team is available to aid in their success.

The Social Equity team continues steps toward the implementation of Engrossed Second Substitute Senate Bill (E2SSB) 5080. The bill authorizes the LCB to issue an additional 52 retail, 10 producer, and 100 processor licenses. Rulemaking for the expansion of the Cannabis Social Equity Program was opened in Nov. 2023.

In FY 2024 the Social Equity team hosted monthly 5080 planning meetings with LCB's executive management, Policy and Rules team.

They included the Department of Commerce and considered the lessons learned from the implementation of E2SHB 2870.

The Social Equity team played an integral role in the redesign of a new application process which will allow registration for review by the third-party contractor before forming a business entity or applying for an application through Business Licensing Services until they know if they are selected to proceed with the application process. This will save Social Equity license applicants time and money up front.

The Social Equity team also paired with the Office Minority and Women's Business Enterprises to discuss how their State Certification can help prospective applicants under E2SSB 5080 when submitting documentation for Social Equity qualifications.

E2SSB 5080 included a one-time reimbursement for licensing fees to cannabis licensees who submit a Social Equity Plan to LCB. Plans must show how their businesses will give back to communities. The Social Equity team reviewed over 100 plans that were processed for reimbursement.

The Social Equity team developed a blog site as part of its community outreach.



LCB's Cannabis Social Equity Program logo

Licensing and Regulation

The blog focuses on informing stakeholders about the Cannabis Social Equity Program. Topics have included:

- History of cannabis
- Rule changes
- Location restriction and license mobility
- An interview of a cannabis licensee and their Social Equity Plan
- Emerging developments for the Cannabis Social Equity Program

Systems Modernization Project (SMP)

The Licensing Division continues to focus on SMP, one of the largest projects for the agency. It will replace LCB's many aging computer systems with a single, unified system. The new system will improve access for licensees and others to most of the services offered by LCB.

The Licensing Division is first in implementing significant changes affecting customers and staff. Licensing has dedicated four full-time staff to support the project and many other division and agency staff have devoted time and expertise to this important transformation. During FY 2024 Licensing's SMP team led the development of business requirements, supporting change management, reviewing test cases for accuracy, reviewing instructor-led trainings and materials, and helping get data ready for migration.

Customer Service Unit

The Customer Service Unit supports internal and external customers by answering phone calls and correspondence about liquor and cannabis licensing protocols, and rules and regulations. Staff also support the division by issuing licenses, added endorsements, liquor permits, and liquor and cannabis license alteration requests. The Customer Service Unit consists of one manager, three supervisors and 13 customer service specialists.

Liquor Permits

The Customer Service team is responsible for processing 17 different alcohol permits issued to both businesses and the public. This past year, 1,452 permits were issued. The most commonly issued permits are:

- Class 2 Permits - Used by a licensee to purchase ethyl alcohol for use in a mechanical or manufacturing business.
- Class 16 Permits – For a Day Spa that offers one complimentary glass of wine or beer to a customer.

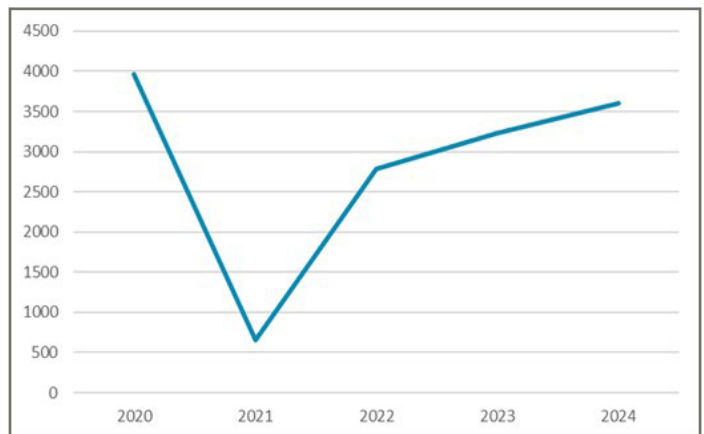
Liquor Permits and Special Occasion Licenses Issued

Agents Licenses	1,394
Raffle Permits	154
Special Occasions	3,607
Wine Association Events	2
Farmers Markets	80
Other	1,140

Special Occasion Licenses

A Special Occasion License allows nonprofit organizations to sell liquor at events including fundraising dinners, galas, festivals, auctions, and wine tastings. In FY 2024, the unit issued over 3,500 licenses - nearly 300 more licenses than last year. This year the average processing time for a Special Occasion License was 25 days.

Special Occasion Licenses Approved



Licensing and Regulation

Liquor Licensing Unit

The Liquor Licensing Unit issues liquor licenses for both retail and non-retail establishments. The unit includes one manager, three supervisors, three licensing specialist seniors, and 15 licensing specialists. In FY 2024, a total of 3,933 applications were received; 3,515 were for retail licenses and 418 were for non-retail licenses.

Examples of Businesses Issued Liquor Licenses

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

Active Liquor Licenses

Type	2021	2022	2023	2024
Retail	18,473	18,708	18,948	19,207
Non-Retail	8,216	8,317	8,647	8,668

Liquor Applications Received

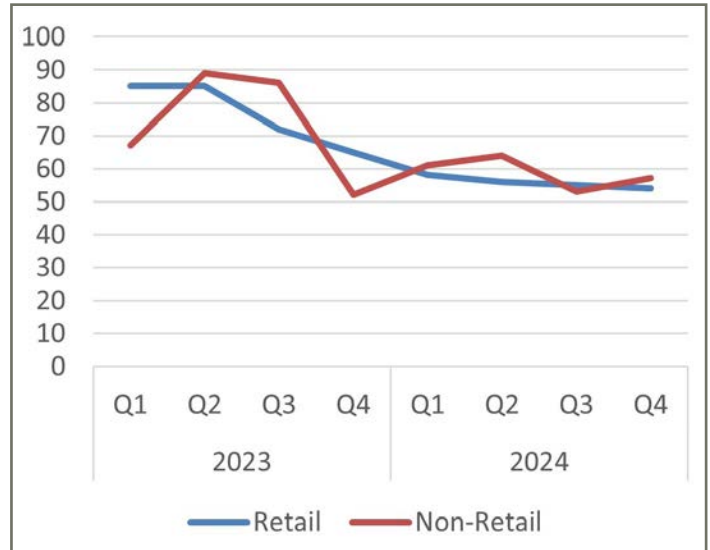


Improving Processing Timelines

This year, the team focused on improving license processing timelines and providing better service to customers. As a result, applications were processed within 53 days, exceeding the processing

timeline goal of 60-90 days. On average, retail applications were processed within 56 days and non-retail applications were processed within 59 days.

Liquor Application Processing Times – Days



New Retail License Types Issued Between FY 2022 and FY 2024

	2022	2023	2024
Beer/Wine Restaurants	281	346	326
Beer/Wine Specialty Shops	48	60	70
Catering	26	28	28
Combo S/B/W Grocery	19	9	10
Combo S/B/W Specialty Shop	2	12	0
Gift Delivery B/W	14	7	8
Grocery Stores	137	161	156
Hotels/Motels	17	12	10
Night Clubs	20	12	15
S/B/W Restaurants	320	481	465
Sports Entertainment Facilities	9	4	5
Snack Bars	37	60	71
Spirit Retailers	6	2	1
Taverns	39	39	38
Theaters	11	9	8

Cannabis Licensing Unit

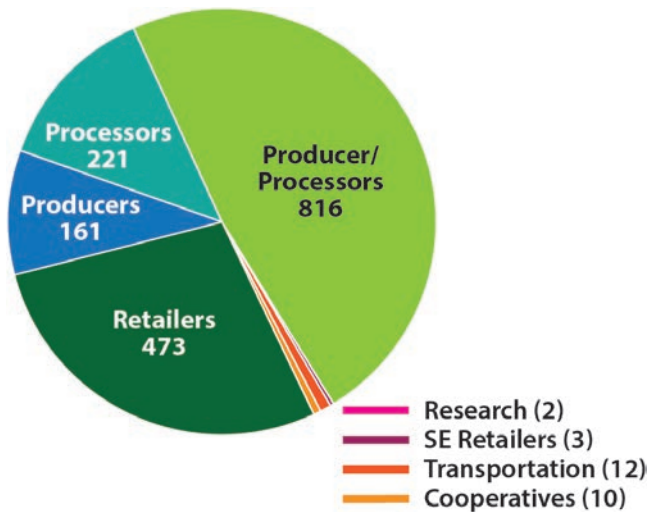
The Cannabis Licensing Unit issues cannabis licenses for businesses including:

- Producers
- Processors
- Retailers
- Transportation
- Research

The unit consists of one manager, two supervisors, and five licensing specialists responsible for processing cannabis applications.

As shown below, current cannabis licenses total 1,678.

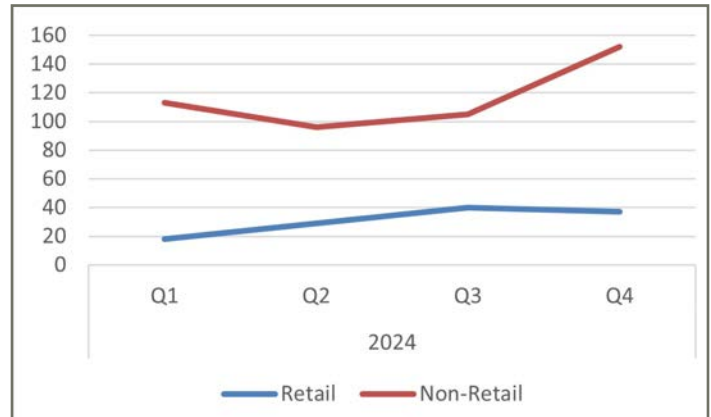
FY 2024 Cannabis License Count



Cannabis License Applications

The Cannabis Unit processes applications for Social Equity, transportation, research licenses, and cooperative registrations. They also process applications for all change requests for existing license holders, including location, ownership, and operating/floor plan changes. In FY 2024, a total of 588 applications were received.

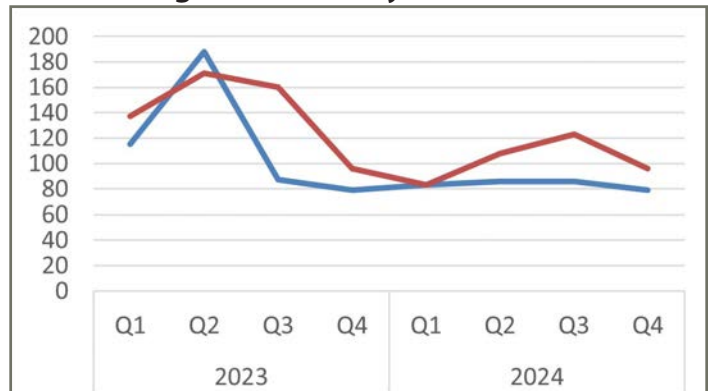
Cannabis Applications Received



Improved Application Timelines

This year, the team made significant strides in improving the processing times for all license applications and consistently looked for ways to enhance customer service. Overall, processing times decreased for every application type. Retail applications saw a reduction from 117 days to 84 days, marking a 29 percent decrease, while non-retail applications decreased from 141 days to 103 days, representing a 27 percent reduction.

Processing Times # of Days



Cannabis Customer Feedback

The Cannabis Unit continuously looks for ways to improve service and provide better information to applicants and licensees.

Licensing and Regulation

At the end of the licensing process, cannabis supervisors reach out to licensees to ask about the level of customer service they experienced, the timeliness of the application process, the clarity of the information provided, the responsiveness of the specialists, and their overall experience. This feedback is used to enhance the licensing process by improving forms, communication, and educational content.

This year we received 99 percent positive feedback indicating customers had a positive experience with staff in the areas of Responsiveness, Education and Information, Timeliness, and Customer Service.

Policy and Education Unit

The Licensing Policy and Education Unit works collaboratively with employees throughout the division and agency to implement liquor and cannabis licensing rules, and legislative and policy actions. The unit includes the Licensing Division Training Team, data consultant, and Education Team. The unit supports LCB data requests and administers mandatory training and outreach programs for alcohol licensees, including the Mandatory Alcohol Server Training (MAST) and Responsible Vendor Program (RVP).

Training and Development Team

The Training Team supported units across the division this year by providing onboarding support and training for 11 new employees and 15 employees who moved into new positions. The team developed trainings and resources for internal and external customers to improve consistency among employees and other agency divisions. This included preparing trainings, forms, and other needed resources related to the implementation of legislative bills including the delivery of alcohol (SB 5448), complimentary liquor by short-term rental operators (HB 1731), and emergency liquor permits (HB 2204).

The Training Team also includes a policy and procedure specialist, who works on reviewing the division's policies and procedures to ensure they are updated with current processes.

This year we completed 12 policy projects, three of which were new policies or procedures.

Small Business Liaison Team (SBLT)

The SBLT was created by the Governor's Office for Regulatory Innovation & Assistance. It includes representatives from 27 state agencies. Their mission is to listen to businesses, then drive action to make it easier to do business in the state. The SBLT provides free, accessible resources for small business owners to learn about the regulatory requirements of multiple agencies in one location. The LCB has two employees on the SBLT provide guidance on licensing processes and participate in the annual Washington Small Business Fair.

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 association events providing information and resources for liquor and cannabis licensees.



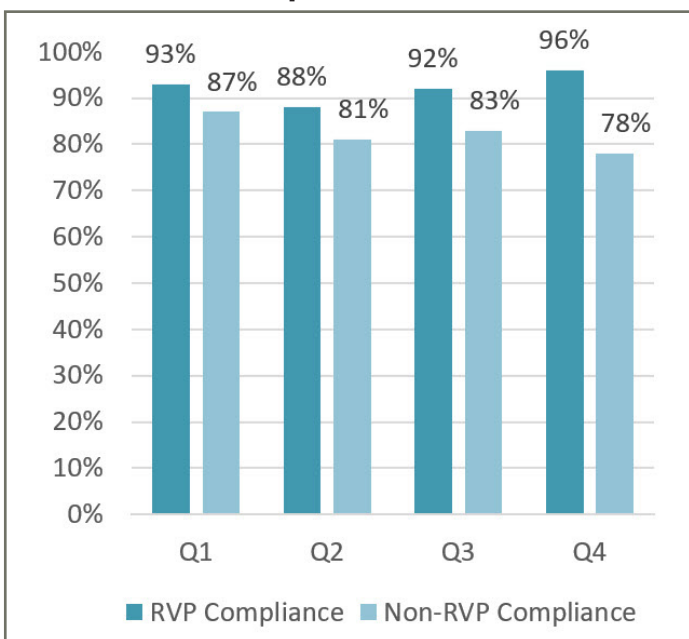
WA Small Business Fair: Mistie Jones

Responsible Vendor Program

The Responsible Vendor Program (RVP) is a voluntary program for retailers selling alcohol for off-premises consumption. The team focused on new outreach efforts to qualified licensees to increase program participation. As a result, 110 stores registered for the program and over 2,300 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 244 stores across the state. The team also created an adoptable Management Policy increasing the ease of participating in the program.

The team closely tracks compliance rates for RVP enrolled stores. Data shows RVP member's compliance consistently exceeds non-RVP stores, upholding responsible sales and supporting safer communities.

Alcohol Sales Compliance Rates



Mandatory Alcohol Server Training

A Mandatory Alcohol Server Training (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 or fill growlers. The LCB certifies third-party providers who train, administer the exam, and issue permits. There are 22 certified courses in Washington state that issued over 50,000 permits during FY 2024.

This past legislative session included a couple of law changes that effected MAST courses. All training providers were required to update their curriculum to reflect increased allowances for class 13 permit holders and the repeal of WAC 314-11-050 on prohibited conduct. The team notified all 22 providers of the changes and reviewed curriculum changes within 45 days.

Compliance and Adjudication Unit

The Compliance and Adjudication Unit reviews applications and license renewals when the application or continuing licensing qualifications may not have been met.

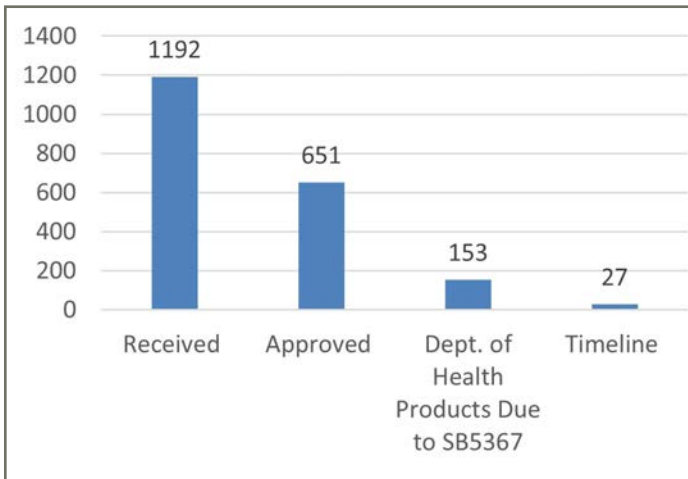
The unit supports the division by managing bankruptcies and receiverships and assisting the Finance Division when a licensee fails to report sales or pay taxes and fees. They approve sports and entertainment facility operating plans, contract reviews, and oversee the packaging and labeling requirements for cannabis and liquor products.

In alignment with the agency's commitment to encourage licensee input, additional focus on collaboration and transparency with sports and entertainment facility stakeholders was prioritized. Most recently, the team updated the required operating plan to make sure it met the requirements in rule and provided an intuitive framework for licensees to complete.

In addition, the Packaging and Labeling team promotes public safety by reviewing alcohol and cannabis products, packaging, and labeling to ensure compliance with statutes and rules.

Licensing and Regulation

Cannabis-Infused Edible Products

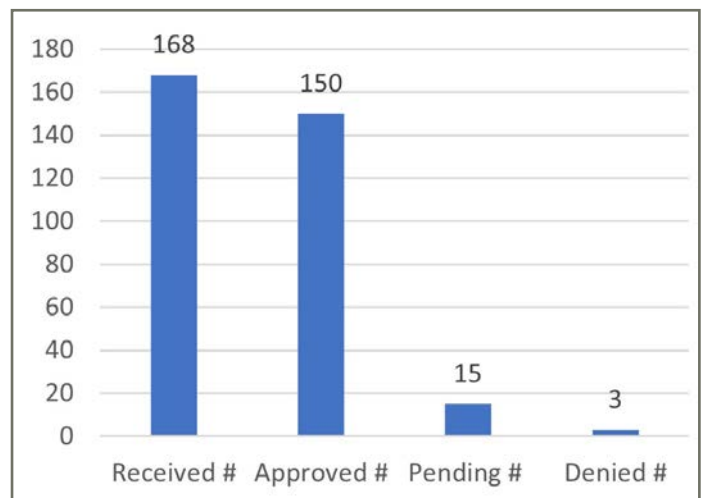


The team is transparent with licensees, invites input, listens to understand, and shares accurate, timely information. The team began implementing Senate Bill 5367 which changed requirements for regulation of products containing THC.

This year traditional soft drink producers and beverage alcohol suppliers introduced new products referred to as “crossover” products. These products are alcoholic versions of traditionally non-alcoholic products. They are reviewed and tracked to make sure they are not designed in any way that could be especially appealing to children or anyone under 21 years old.

Lastly, the unit added an adjudications coordinator to support the agency litigation process by completing discovery requests for pending cases. The team welcomed a new compliance and adjudications manager and added a new adjudications coordinator and a program specialist. These changes allow the team to better focus on best practices, industry engagement, and support of discovery requests.

Crossover Products Received



2024 Licensing Division Staff

Policy Program

The Policy Program covers four areas which are critical to the agency including rule development, analysis and research, stakeholder and government outreach, public health and prevention, and Tribal relations.

Activities include implementing legislation, developing recommendations on rule petitions, researching emerging issues, and doing complex analysis on the economic and administrative impacts of regulation(s). The program issues interpretive and policy statements and leads policy discussions on topics of state, national, and international interest, all in support of consistent, reasonable, and fair administration of law.

The program works collaboratively with the Board, agency divisions, and a wide range of external stakeholders and partners. Together they strive to achieve statewide goals, including the promotion of equity and inclusion for employees, licensees and the communities served by the agency.

Rule Development

In FY 2024 the Policy and Rules unit received, analyzed, and provided recommendations on 20 rule petitions for Board consideration. These included:

- Seven alcohol rule petitions
- 12 cannabis rule petitions
- One general rule petition covering all regulated products

Of the petitions received, 13 were accepted, five were denied, and two were carried forward to FY 2025.

In FY 2024, seven rule projects were completed. They are:

- Prohibited Conduct Rulemaking (Filed June 18, 2024)
- Medical Cannabis Endorsements (Filed June 18, 2024)

- Trade Area Rulemaking (Filed Feb. 28, 2024)
- SSB 5448 / MAST 13 Rulemaking (Filed Jan. 31, 2024)
- 2023 Liquor Legislation Implementation (Filed Sept. 27, 2023)
- Private Club Membership Drives (Filed Aug. 30, 2023)
- Increased penalties for licensed retailers who sell tobacco to a person under 21 years old (Expedited Rulemaking on Implementation of ESSB 5365, filed July 05, 2023)

The policy program also published one policy statement:

- Policy statement PS24-01 Emergency Alcohol Permit (RE: HB 2204 Special Permits)

Stakeholder Engagement

The team continued to expand their approaches to create and strengthen stakeholder relationships, encourage inclusive involvement, and solicit productive feedback during rule development processes. In FY 2024, the Rules and Research programs collaborated on surveys to learn about applicant experiences related to the Cannabis Social Equity Program and surveys on draft rules to increase overall stakeholder feedback.

Public Health Commitment

LCB has a public health education liaison dedicated to reducing underage access, substance misuse, 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.

The liaison engages with LCB employees and external partners and stakeholders. Partnerships include other state agencies, statewide organizations, local coalitions, local jurisdictions, and individuals who share the goal of healthy and safe communities in Washington State.

Policy Program

Together they work to identify strategies, develop, and distribute resources, and provide mentoring and support to communities.

Partnership examples include:

- The Washington Healthy Youth Coalition (LCB Public Health Liaison is co-chair) and Planning Committee
- The State Prevention Enhancement Policy Consortium and workgroups
- The WA Impaired Driving Advisory Council
- The Prevention Research Collaborative
- Support and sponsorship for the annual Washington State Prevention Summit
- Alcohol Action Network
- International Cannabis Policy Study
- Council of State and Territorial Epidemiologists
- Cannabis Regulators Association (CANNRA)

The public health education liaison spent much

of this fiscal year connecting with the prevention and public health community, establishing relationships with industry leaders, and identifying ways to strengthen partnerships between LCB and external stakeholders at local, state, and national levels.

Stakeholder communication is a top priority and the liaison provides monthly updates on rulemaking, legislative activities, and participation opportunities in LCB's work. Quarterly roundtable meetings provide a forum for LCB to share updates and activities, get feedback from participants, and to learn about emerging and ongoing issues and concerns.

Research, Data, and Collaboration

The LCB values evidence-based decision making. In FY 2024 the agency built a strong foundation for a new, in-house Research Program, established at the end of FY 2023. The program was designed to be a non-partisan and transparent resource focused on public health and safety outcomes related to the products, policy, and regulation of alcohol, cannabis, tobacco, and vapor.

During FY 2024, the new program was further developed, resources were secured, and three PhD-level researchers were recruited and hired. The new team began creating standard operating procedures for work related to literature reviews, survey creation, and research briefs. Initial work focused on connecting with internal and external stakeholders to determine the scope of work and future collaborations.

The program provided support across a spectrum of research-related activities, including research briefs, surveys, statistical analysis, data visualizations, and presentations. As the Research Program is intended to be a resource, most of these projects have been in collaboration with teams across the agency, from other state agencies and academic partners.



Public Health Education Liaison Kristen Haley promoting DEIB concepts.

Completed projects include:

- Cannabis Consumer Survey, done in collaboration with the Dept. of Health and LCB's Public Health Education Liaison.
- Cannabis Social Equity Applicant Experience Survey, done in collaboration with LCB's Social Equity and Policy and Rules team.
- Independently contracted Whitney Economics Report, which provided an independent analysis forecasting the number of economically viable cannabis producer, processor, and retail licenses.
- Cannabinoid Science Work Group, which developed recommendations from a group of external scientists on detectable levels of THC and cannabis product safety.

The focus of the LCB Tribal liaison and the agency's work with Tribes during FY 2024 included updating and negotiating cannabis compacts and liquor Memorandums of Agreement (MOAs) to meet changing interests of Tribes and the state.

Tribes use liquor and cannabis revenue for Tribal services and programs within their communities. In Washington state the LCB is authorized to negotiate compacts with Tribes who are interested in establishing cannabis programs. The LCB also works with Tribes incorporating liquor privileges into their new or existing establishments that meet state requirements.

During FY 2024, the LCB completed updates of Tribal cannabis compacts with the Chehalis, Nisqually, Snoqualmie, and Suquamish Tribes. These typically involved adding new elements and locations. The LCB has completed 23 Tribal cannabis compacts to date.

In March 2024, the agency conducted rulemaking to redefine Trade Areas for spirits liquor sales. The rule, WAC 314-02-1071 was amended to exempt spirits retailers, owned or operated by a Tribe or its Tribal Enterprises in Indian Country from the 20 mile travel distance requirement for all licensees who have off-premises spirits sales. Tribal feedback sessions were held in Nov. 2023 to get feedback on proposed rule language from LCB's Tribal partners. As a result of the agency rulemaking, several Tribes have begun expanding business operation for off premises spirits sales in Indian Country.



Public Health Education Liaison Kristen Haley, Research Program Manager Dr. Sarah Okey, and Dr. Jason Williams from UW's ADAI present at the Society on Marijuana.

Tribal Relations

The LCB collaborates with Tribal governments through partnerships between sovereign nations and the State, which helps supporting safe communities and Tribal economic development. These cooperative efforts focus on agreements defining how Tribes operate alcohol and cannabis businesses in alignment with state regulations.

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. The LCB's Diversity Council began in 2015 as an agencywide staff workgroup focused on building, educating, and inspiring an inclusive workforce.

By Executive Order, Governor Inslee introduced the Pro-Equity Anti-Racism (PEAR) Ecosystem Plan & Playbook 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 response, in 2022, the LCB leadership formed a PEAR Team with representatives from all LCB divisions. Then, in 2024, the DEIB work continued with expanded agency and community-wide conversations.

LCB Diversity Council and PEAR Team FY 2024 Highlights:

The LCB Diversity Council created a four-part panel series for agency staff to look at intersectionality concepts on how inequality based on gender, race, ethnicity, sexual orientation, gender identity, disability, class, and other forms of discrimination intersect to create unique dynamics and effects. Panel conversations were co-created with guest speakers from LCB, statewide Business Resource Groups (BRGs), and the Office of Equity. Panels were held in-person and virtually in spring and summer.

In FY 2024, the LCB Diversity Council, PEAR Team and the Communications Office developed and

shared terms and definitions in a "DEIB Word of the Week" email series so all staff have a shared understanding of DEIB-related language.

The LCB continues its goal of having all staff complete the foundational DEIB training for the state workforce called A Path Toward Equity: Disrupting Structural Racism through Awareness and Belonging, by 2028.

Based on 2023 focus group feedback, the LCB promoted over 30 DEIB-specific, state agency and BRG-vetted training opportunities, online and in-person, with staff during FY 2024. The LCB also sponsored and participated in Office of Financial Management's DEIB Empowerment Conference and the Office of Equity's Convening event.

In support of LCB's new agency strategic plan, LCB's DEI Manager joined agency leaders for a retreat to help define agency values and develop its three primary goals for the next five years. To support the strategic plan goals of building an agency culture of trust, belonging, and valuing people, bimonthly division-level DEIB meetings were set up.

And finally, LCB continued its annual BRG Giving Campaign along with LCB Finance, Human Resources team, and Director's Office and donated \$40,000 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).

The agency welcomes and looks forward to partnering with Washington's newest BRG, Supporting Our Voices, Empowering Rights and Indigenous Governance (SOVEREIGN), in the future, too.

Strategic Plan 2024-2029



Goal One

All Washington communities have the highest level of public health and public safety



Goal Two

Our services are accessible and responsive to the needs of communities, partners, and our customers



Goal Three

We have a culture of trust, belonging, and valuing people

Vision

Safe communities for Washington State

Mission

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

Values

We are professional and dedicated public servants. These values are the foundation of our culture and guide our interactions with each other and the communities we serve.

Respect

We are inclusive, treating everyone with courtesy and dignity, ensuring equity for all.

People Focused

We put those we serve and each other at the center of our work.

Open Communication

We practice transparency, invite input, listen to understand, and share accurate and timely information.

Accountability and Integrity

We hold ourselves to the highest ethical standards and follow through on our commitments.




Continuous Improvement and Meaningful Results

We seek creative solutions to provide better outcomes by evolving our processes, systems, and services.



Planning and Process Improvement

Goals, Objectives, and Strategies

 <p>Goal One</p> <p>All Washington communities have the highest level of public health and public safety</p>	Objective	Strategy
	We have strong partnerships with communities and provide education resulting in improved public health outcomes	Establish relationships with other organizations and across divisions so there are no barriers to public health, public safety, regulation, education, and compliance
	Regulated products are furnished, sold, used responsibly, and accessed through legal markets	Provide services that have a positive impact on youth access, adult misuse, and diversion Inform and educate our customers and communities in a coordinated and consistent way
 <p>Goal Two</p> <p>Our services are accessible and responsive to the needs of communities, partners, and our customers</p>	Objective	Strategy
	Timely delivery of quality services	Incorporate employee and customer feedback to continuously improve our processes and systems Modernize business processes to increase transparency, improve user experience and reduce risk
	Prioritize our efforts and allocate resources effectively to support key initiatives	Use a predictable, repeatable framework for making decisions and aligning agency goals with attainable resources
 <p>Goal Three</p> <p>We have a culture of trust, belonging, and valuing people</p>	Objective	Strategy
	Provide opportunities for personal, professional, and organizational growth	Prioritize and invest in employee holistic wellness and professional development Promote leadership development at all levels
	We are inclusive of industry and community members when making decisions about our work	Consult industry and community representatives when creating rules Engage with regulated industries and the communities we serve

Income

	FY 2023	FY 2024
Liquor Taxes and License Fees (includes penalties)		
Spirits Fees	\$ 195.5	\$ 197.1
Beer Tax	33.7	29.9
Wine Tax (not including assessment)	24.9	24.6
Liquor License Fees	10.7	14.1
Total Liquor Income	\$ 264.7million	\$ 265.7million
Cannabis Taxes and License Fees (includes penalties)		
Cannabis Tax	\$ 464.5	\$ 454.7
Cannabis License Fees	4.0	3.6
Total Cannabis Income	\$ 468.5 million	\$ 458.3 million
Tobacco		
Total Tobacco Income	\$ 0.4 million	\$ 0.5million
Total Income	\$ 733.7 million	\$724.6 million

Expenses

Operating Expenses		
Licensing	\$ 6.4	\$7.0
Enforcement	18.9	20.4
General	41.5	36.4
Total Operating Expenses	\$ 66.8 million	\$ 63.8 million
Distributions/Appropriations		
Distributed to State/Local Governments	\$ 598.7	\$570.9
State Agency Appropriations	67.7	69.7
Total Distribution/Appropriations	\$ 666.5 million	\$ 640.6 million
Total Expenses/Distributions	\$ 733.2 million	\$ 704.4 million

Financial Statement

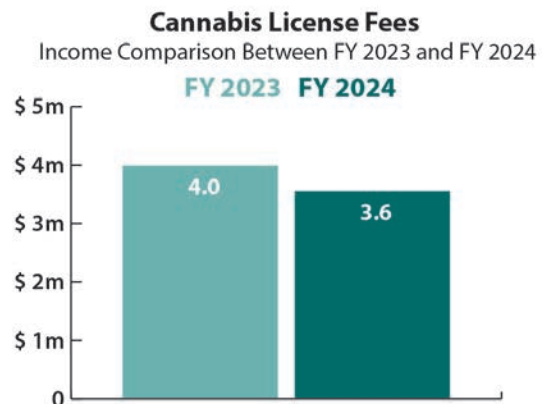
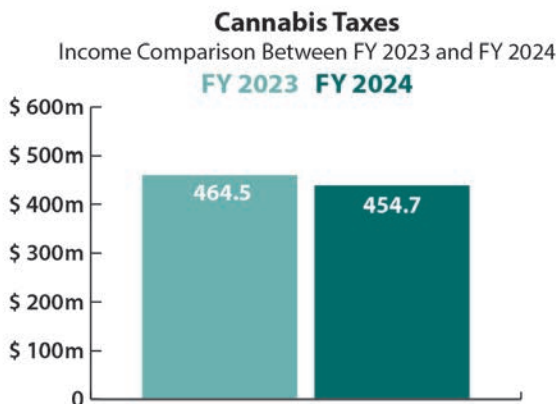
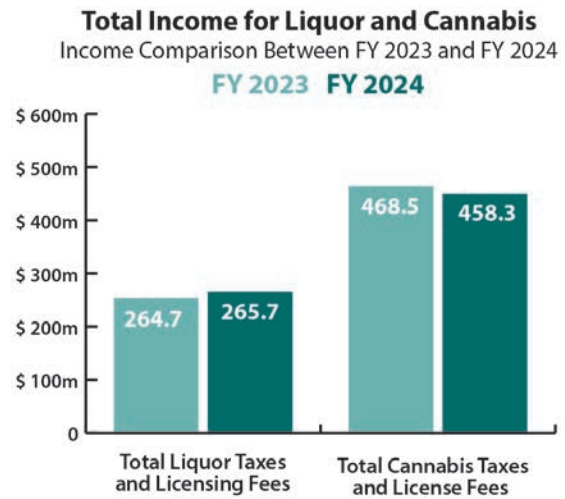
Income	FY 2023	FY 2024	Difference
Liquor Taxes and License Fees (includes penalties)			
Spirit Fees	\$ 195,485,076	\$ 197,105,316	\$ 1,620,240
Beer Tax	33,663,620	29,943,653	(3,719,966)
Wine Tax (not incl. assessment)	24,859,834	24,576,951	(282,883)
Liquor License Fees	10,676,594	14,113,519	3,436,925
Total	\$ 264,685,124	\$ 265,739,439	\$ 1,054,315
Other Liquor Income	\$ 21,237	\$19,017	\$ (2,220)
Total Liquor Income	\$ 264,706,361	\$ 265,758,456	\$ 1,052,095
Cannabis Taxes and License Fees (includes penalties)			
Cannabis Tax	\$ 464,496,959	\$ 454,742,324	\$ (9,754,636)
Cannabis License Fees	4,018,788	3,592,698	(426,090)
Other Cannabis Income	1,563	-	(1,563)
Total Cannabis Income	\$ 468,517,310	\$ 458,335,022	\$ (10,182,288)
Tobacco Income	\$ 449,380	\$ 494,573	\$ 45,193
Other General Fund Income	43	\$ -	\$ (43)
Total	\$ 733,673,093	\$ 724,588,050	\$ (9,085,042)

Expenses and Distribution	FY 2023	FY 2024	Difference
Operating Expenses			
Licensing	\$ 6,395,431	\$ 6,989,299	\$ 593,868
Enforcement	18,941,406	20,356,617	1,415,211
General	41,451,799	36,428,490	(5,023,309)
Total Operating Expenses	66,788,636	\$ 63,774,405	\$ (3,014,231)
Distributions/Other Appropriations			
Excess Funds	\$ 138,683,041	\$ 126,190,875	\$ (12,492,166)
Beer Tax	28,092,737	24,848,433	(3,244,304)
Wine Tax	4,095,178	4,042,760	(52,418)
Liquor Licenses	5,692,689	8,635,030	2,942,341
Tobacco/Vapor	449,380	494,573	45,193
Budget Sweeps (Cannabis)	350,082,000	334,553,361	(15,528,639)
Budget Sweeps (Liquor)	-	-	-
Returned to the State (Liq/Can/Tob)	\$ 527,095,025	\$ 498,765,032	\$ (28,329,993)
Beer Tax to Borders	32,782	\$28,470	\$(4,311)
\$ 1.30 Beer Tax	5,330,565	5,251,439	(79,126)
Spirit Fees to Locals	44,107,435	44,186,561	79,126
Returned to Local Gov (Liquor)	\$ 49,470,782	\$ 49,466,470	\$ (4,311)
Returned to Local Gov (Cannabis)	22,157,000	\$ 22,665,322	508,322
Spent by State Agencies (Cannabis)	65,396,481	\$ 67,406,094	2,009,613
Spent by MRSC (Liquor)	2,339,808	2,289,392	(50,416)
Total Distributions / Spent by Other Approp.	\$ 666,459,096	\$ 640,592,310	\$ (25,866,786)
Total Expenses and Distributions	\$ 733,247,733	\$ 704,366,716	\$ (28,881,017)

Financial Statement

FY 2024 Distributions/Spent by Other Appropriations

Agency	Cannabis	Liquor	Tobacco/ Vapor	Total
General Fund-State and Year End Adjust.	\$ 98,834,013	\$154,683,358	\$ 10,296	\$ 253,527,667
Basic Health Account	235,719,348			235,719,348
Local Governments	22,665,322	49,466,470		72,131,792
Washington State Health Care Authority	51,047,250	7,527,113		58,574,363
Department of Health	11,850,869		484,277	12,335,146
Washington State Patrol	-	150,000		150,000
Municipal Research and Services Center		2,289,392		2,289,392
Washington State University	189,000	614,487		803,487
University of Washington	346,399	484,750		831,150
Superintendent of Public Instruction	580,574			580,574
Washington Wine Commission		257,390		257,390
Department of Commerce	3,392,001			3,392,001
Totals	\$ 424,624,777	\$ 215,472,961	\$ 494,573	\$ 640,592,310



Dispersements : Cannabis Revenue Distributions

Cannabis Revenue | FY 2024 Financial Disbursements

Agency	\$ Disbursement
State General Fund and Year End Adjustments	\$ 98,834,013
Basic Health Account	235,719,348
Local Governments	22,665,322
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 	51,047,250
Department of Health <ul style="list-style-type: none"> • Cannabis education and public health programs • Administration of cannabis authorization database 	11,850,869
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) 	346,399
Washington State University <ul style="list-style-type: none"> • Research on impacts of cannabis use 	189,000
Superintendent of Public Instruction <ul style="list-style-type: none"> • School drop-out prevention 	580,574
Department of Commerce <ul style="list-style-type: none"> • Social equity grants • Technical assistance 	3,392,001
Washington State Liquor and Cannabis Board <ul style="list-style-type: none"> • Administration and regulation operations 	12,164,354

SHB 1249

Creating a new category of cannabis and setting its daily buying and gifting limits

The amount of cannabis a customer can legally buy from a licensed cannabis retailer in Washington State is different based on the type of product. The daily amount a person can gift or give to another adult is half of the amount allowed for buying.

Previous law (RCW 69.50.360) set limits for four categories of cannabis products - Useable Cannabis (flower and buds), Edibles (solid form), Infused Beverages, Concentrates.

New legislation, SHB 1249 created a new product type: Low THC-Infused Beverages. These beverages can contain no more than 4 mg. of THC per unit. The bill set the per-day limit for buying Low THC-Infused Beverages at up to 200 mg. and the per-day gifting or giving limit at a maximum of 100 mg.

The table below shows how SHB 1249 expanded cannabis product types and buying and gifting limits.

Type of Product	Per-Day Limit by Product Type Before SHB1249*	Per-Day Limit by Product Type After SHB1249*
Useable Cannabis (flower and buds)	Up to 1 ounce	Same
Edibles (solid form)	Up to 16 ounces	Same
Infused Beverages	Up to 72 fluid ounces	Same
Concentrates	Up to 7 grams	Same
Low THC-Infused Beverages (no more than 4 mg. THC per unit)	N/A	Up to 200 mg.
*The limits above are for buying cannabis. SHB1249 set the limit for gifting or providing to a person at least 21 years old to half the buying limit.		

SHB 1453

Providing a tax exemption for medical cannabis patients

Previous legislation (RCW 69.50.535) set an excise tax on the sale of “adult use” cannabis from licensed retailers in Washington at 37% of the sales price. The LCB collects excise taxes and retail sales taxes are collected by the Dept. of Revenue.

In 2015, the Legislature passed SB 5052 which created a “medical cannabis” system including a database, maintained by the Dept. of Health (DOH), for patients authorized by their healthcare provider as eligible to buy medical cannabis. The legislation exempted these patients from paying retail sales tax when buying DOH-compliant products.

The law also set standards for the production and sale of medical cannabis. The DOH sets medical cannabis standards which include testing requirements more stringent than those for non-medical, “adult use” cannabis. It also set requirements for cannabis retailers who want to have a medical endorsement. The requirements include carrying medical cannabis products, having a consultant on staff who can advise patients, and having the ability to register patients in the DOH database registry.

SHB 1453 created a temporary excise tax exemption on cannabis sales that meet three conditions:

1. A buyer must be a registered patient in the DOH Medical Cannabis Authorization database.
2. They must buy the cannabis from a retailer who has a current medical endorsement.
3. Only DOH-compliant medical cannabis qualifies for the exemption. No other cannabis products qualify.

This exemption expires on June 30, 2029.

2024 Legislative Session

2SHB 2151

Reassigning accreditation for cannabis testing laboratories

This legislation reassigned the accreditation of private cannabis testing laboratories from the Washington Dept. of Ecology (ECY) to the Washington Dept. of Agriculture (WSDA) effective July 1, 2024. The LCB remains responsible for certifying the accredited labs to test cannabis for the state's regulated cannabis industry.

The LCB has been responsible for certifying and accrediting private cannabis testing laboratories in Washington. The LCB uses a third-party contractor to assess the labs and test their ability to detect and measure a range of substances to ensure cannabis products are safe, and to then accredit those labs who met the criteria. Accredited labs are then certified by the LCB to test cannabis in the state.

In 2019, the Legislature passed a bill to shift the responsibility for accreditation to ECY, which was to have begun happening on July 1, 2024.

2SHB 2151 amends the transfer of authority for cannabis lab accreditation by naming WSDA as the entity to accredit labs instead of ECY. The WSDA must coordinate with LCB and write rules to implement this change. The requirement that fees charged to the accreditor be sufficient to cover the costs of the work was changed to say that the fees must "support" these costs.

The bill also modified the provision in current law stating that the entire lot from which a sample that fails its quality assurance tests was taken by adding the phrase, "except as otherwise provided by the board in rule," basically pointing to the rules and exceptions listed in WAC 314.55.102 (6). These changes in 2SHB 2151 came from an agency request bill from WSDA.

HB 2204

Creating an Emergency Liquor Permit

This legislation amended 66.20.010 and created a new permit to allow a licensed liquor manufacturer (winery, brewery, or distillery) to sell their products at a different licensee's location when an emergency such as a natural disaster prevents them from storing or selling their product at their own facility. The new permit lasts for 30 days and allows the permit holder to store alcohol at the other licensed facility in segregated storage. A maximum of three impacted permit-holders could sell at a single licensed facility. If the city, county, or state government declares a disaster, the permit fee is waived.

Background: Manufacturers of alcohol are allowed to sell wine/beer/spirits of their own production at their own licensed premises. However, they could not sell someone else's wine/beer/spirits at their location. There are limited allowances where more than one manufacturer can share a production site, but in general, they may not sell their products directly at another licensed facility. In 2023, wildfires resulted in road closures that made it impossible for people to go to several wineries near the Columbia Gorge. Other nearby wineries whose tasting rooms remained accessible offered to display and sell wines of the impacted wineries. There was no permit type that would allow this to happen, and thus it was not allowed. This legislation provides an emergency permit to do so.

HB 2260

Establishing civil penalties for the unlawful sale or supply of alcohol to minors

SHB 2260, an LCB agency request bill, amends 66.44.270 and creates a new section establishing fines for store clerks who sell alcohol to minors. An LCB enforcement officer who observes a sale to a minor will give the clerk these penalties instead of issuing a criminal citation.

Background: RCW 66.44.270 makes it a gross misdemeanor to sell or in any way provide alcohol to a minor. This is similar to laws that prohibit, for example, selling tobacco products to a minor, as in RCW 26.28.080, where the penalty is also a gross misdemeanor. Separate from these statutes, other laws create administrative or civil penalties for sales to minors. For restaurant or bar servers who sell alcohol to minors, these penalties are included in the Mandatory Alcohol Server Training permit laws.

2SHB 2320 **Concerning high-THC cannabis products**

Tetrahydrocannabinol (THC) is the main impairing or intoxicating chemical in cannabis plants. It is concentrated in the plant's flowers. To increase THC levels, growers control heat, moisture, and light during the flowering stage. The levels of THC can be concentrated further by chemical extraction using solvents to separate THC from the rest of the plant, resulting in cannabis products with THC levels that can be over 90 percent.

While more research is needed, available data show a link between use of high-potency THC products and certain mental and physical health issues. From cannabis hyperemesis syndrome to psychosis, to seizures, the risks are particularly high for young people. As a result, several states have funded research into these products, and one state (Vermont) banned the sale of concentrates above 60 percent THC.

A state-funded report by the University of Washington Addictions, Drug and Alcohol Institute provided potential policy solutions to address public health problems linked to high-potency cannabis use.

This bill states a legislative intent to review research on the impact of raising the age to buy high-potency products from 21 to 25 years. It also tasks the Dept. of Health (DOH) with getting input and doing educational campaigns on the risks to people below 25 years old. The DOH may

also develop training for employees of cannabis retailers on the safety and impact of high-THC products. The bill requires cannabis retail shops to post a DOH-developed, high-THC warning sign at their cashier areas. The LCB will monitor signage compliance.

The LCB must also collect data and produce a report on the amount of product sold under three broad categories (usable cannabis, cannabis concentrates, and cannabis-infused products), including the average THC concentration, the average milligrams of THC per unit sold, and the range of THC concentration in both usable cannabis and cannabis concentrates.

The bill includes other requirements for the Health Care Authority to work with healthcare facilities to identify high-risk people and provide resources for reducing and stopping high-THC product use.

SSB 5376 **Allowing the sale of cannabis waste**

Under existing state law licensed cannabis producers and processors must dispose of cannabis waste according to specific protocols based on how the waste is designated. Cannabis waste is categorized as either "not dangerous" (stems, trim, and plant material) or "dangerous" (for example, waste solvents used to create an extract) under the Hazardous Waste Management Act. Existing law prevents cannabis waste from being sold or given away.

Beginning June 6, 2024, this bill authorized cannabis producers and processors to sell non-dangerous, non-hazardous cannabis waste. They must first notify the LCB and the Dept. of Agriculture of the quantity, price, and name of the buyer. They must all make sales records of the waste available to the public. The LCB was authorized to write rules to govern this new process. If the waste is not sold under this new provision, the waste must be disposed of as currently required.

ESSB 6105

Creating safe working conditions in adult entertainment establishments

The Washington Industrial Safety and Health Act (WISHA) – RCW chapter 49.17 – governs workplace safety across industries in Washington. The Dept. of Labor and Industries (LNI) has authority to enforce it and to investigate claims of violations on the part of employers.

A section of WISHA (RCW 49.17.470), added in 2019, covers adult entertainment facilities and entertainers. The act also defines adult entertainment, adult entertainment facilities and entertainers, and sets conditions for workplace safety and training.

The LCB licenses and enforces laws and rules for businesses that sell or serve alcohol. Among other provisions, WAC 314.11.050 prohibited certain conduct at any licensed premise (such as a bar, restaurant, or nightclub). Prohibitions included sexual acts or simulations and nudity from employees or customers of the facility. For this reason, adult entertainment facilities (“strip clubs”) did not qualify for a liquor license.

The 2024 Legislature directed LCB to completely repeal WAC 314.11.050 and prohibited LCB from writing any similar rules. The LCB may not tie exposure of body parts or sexually oriented behavior/dancing to a business’s suitability for a liquor license. The LCB may not enforce any such rules on existing or future licensed facilities, be they adult entertainment clubs as defined in RCW 49.17, or restaurants, nightclubs, bars, taverns, etc.

If an adult entertainment facility applies to LCB for a liquor license, LCB must notify LNI who will do a facility inspection. An LCB’s enforcement officer who identifies a workplace safety violation during a premise check must notify LNI.

Clubs that serve alcohol may not allow anyone (employees, dancers, customers, custodians, etc.) under the age of 21 on the premises.

The legislation also prevents the City of Seattle and King County from creating any local ordinances or regulations setting a distance a patron must be from an adult entertainer, or restricting customers’ distance to the stage, provided the customers do not make physical contact with the entertainer.

Worker protection requirements in RCW 49.17.470 were expanded by ESSB 6105, which requires specific training for all club staff who are not dancers every two years and allows LNI to require clubs to report on the trainings. The bill also modified requirements related to signage for customers, private room panic buttons, dressing and locker room locks, violence and assault prevention, and security, among other workplace safety issues.

The repeal of the prohibited conduct WAC and the barring of local ordinances took effect on June 6, 2024. The sections related to workplace safety and pay provisions take effect on Jan. 1, 2025.

Washington State Liquor and Cannabis Board

Mission

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