



Washington State Liquor and Cannabis Board

Annual Report Fiscal Year 2018

Federal Way
Lacey
Mount Vernon
Mountlake Terrace
Olympia
Pasco
Spokane
Tacoma
Vancouver
Wenatchee



★ **Headquarters**
● **Field Offices**

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Director Rick Garza (center right) joins (left to right) Dr. Ziva Cooper of Columbia University, Director Kevin Smith, and Bill Nye "The Science Guy" for a roundtable discussion about cannabis on the marijuana episode of "Bill Nye Saves the World."

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Washington State Liquor and Cannabis Board

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Message from the Board

December 2018

Dear Citizens of Washington,

It is our pleasure to present to you the Fiscal Year 2018 Liquor and Cannabis Board (LCB) Annual Report. Throughout this report you will find details about the agency's accomplishments and operations throughout Fiscal Year 2018 (July 1, 2017 – June 30, 2018).

Highlights of FY 2018

Marijuana Packaging and Labeling Rule Revisions - The agency convened a work group with representatives from industry organizations, Department of Health, and the Washington Poison Center to take a global look at marijuana packaging and labeling rules. The highly collaborative effort between agency and stakeholders resulted in streamlined requirements that increase efficiency and readability while addressing broader concerns from both industry and consumer.

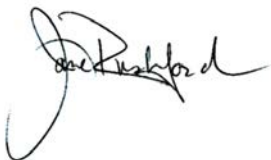
Systems Modernization Project – This is the agency's effort to replace its current and aging licensing, enforcement, imaging and stand-alone applications with a new system. The WSLCB uses a variety of costly, labor intensive standalone systems, some of which are no longer supported. A new system will dramatically increase customer service capabilities and reduce agency risk by bringing systems up to current industry standards. It is anticipated that the new system will come online in late 2020.

Marijuana Traceability System Project – Traceability refers to the software system the agency uses to track cannabis products from seed to sale throughout Washington's adult use cannabis market. In FY 2018 the LCB made the decision to seek a new vendor which culminated with a new system launch in February 2018.

Local Law Enforcement Partnership – LCB Enforcement Officers used Place of Last Drink data input by local law enforcement in deploying resources and services, such as additional oversight and education for licensees and staff on alcohol over service prevention. Reducing over service of alcohol helps prevent impaired driving and related traffic collisions.

Thank you for your interest in the efforts of the Washington State Liquor and Cannabis Board. We look forward to another year of working together to carry out our public safety mission.

Sincerely,



Jane Rushford
Board Chair



Ollie Garrett
Board Member



Russ Hauge
Board Member



Rick Garza
Director

Jane Rushford, Board Chair

Jane Rushford was appointed by Governor Jay Inslee in January 2015. Her commitment to collaboration and transparency has been recognized throughout her years of state service in executive capacities at the departments of Enterprise Services, General Administration and Natural Resources. She also served as a staff administrator at the state House of Representatives and began her state career in the legislative and federal documents section of the Washington State Library.



Jane is the recipient of the Governor's Award for Leadership in Management, Commissioner of Public Lands Award for Contributions to the Health of Washington's Natural Resources and Governor Gregoire's Award for Community Partnership. She has also contributed to the work or boards of several non-profit organizations, including Girl Scouts of Western Washington, Boys and Girls Club/SMART Girls Program, and The Evergreen State College Board of Governors.

Ollie Garrett, Board Member

Ollie A. Garrett, of Kirkland, was appointed to the Liquor and Cannabis Board effective August 15, 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 fifth 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 an at-large appointee of the King County Civil Rights Commission, co-chair of the Office of Minority and Women's Business Enterprises and an 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 member of the Rainier Vista Boys & Girls Club Advisory Board.

Russ Hauge, Board Member

Russ Hauge, of Kitsap County, was appointed to the Board in February 2015. Prior to joining the Board, he spent 33 years as a practicing lawyer. In his early career, he worked ten years in a small Port Orchard law firm representing individuals and businesses. He was first elected Kitsap County's Prosecuting Attorney in 1994 and held that position until Dec. 31, 2014.



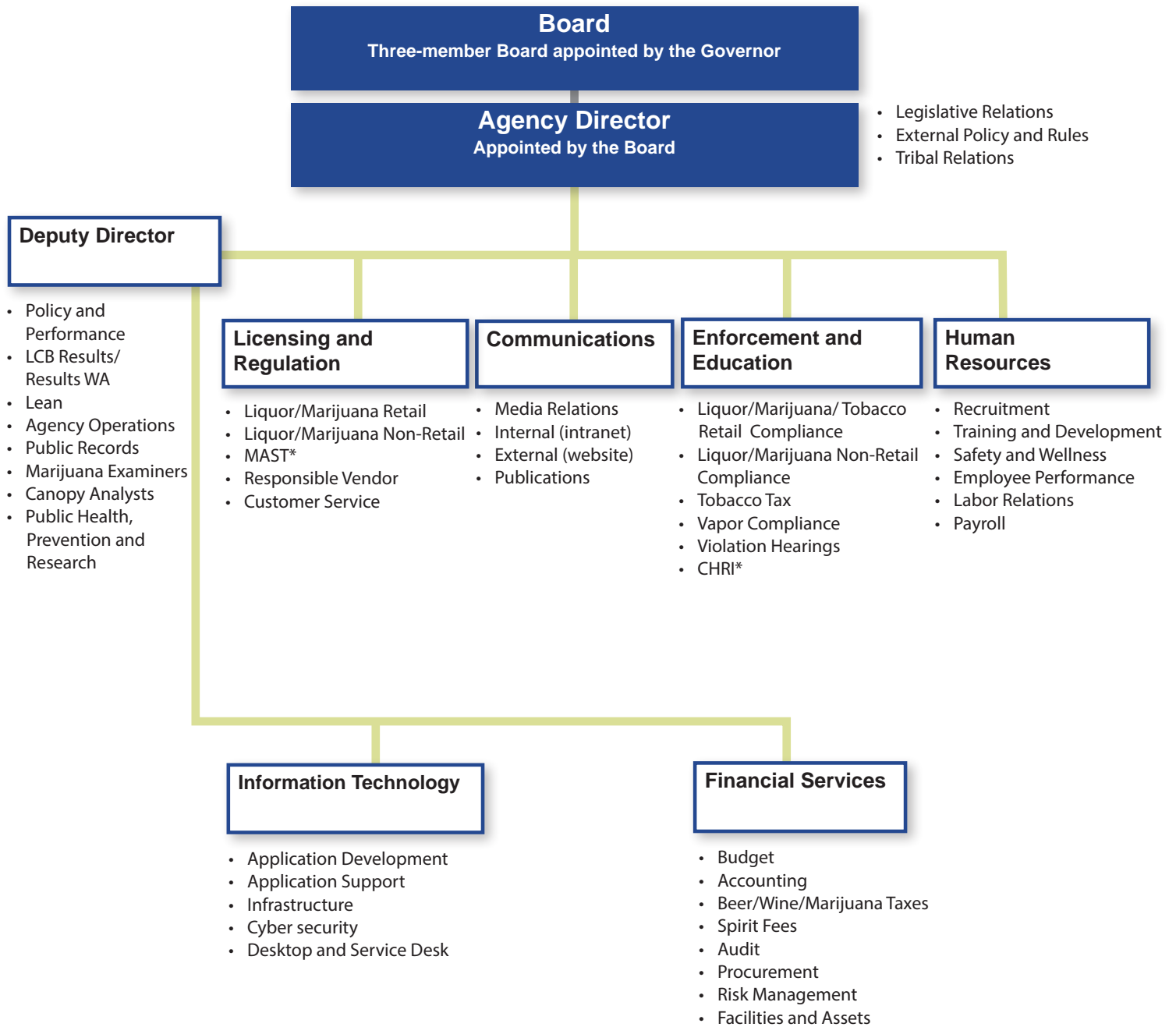
As Kitsap County's prosecutor, Russ was a member of the Washington Association of Prosecuting Attorneys (WAPA). He has served as WAPA's President, chair of its Legislative Committee, and as its representative on the State Sentencing Guidelines Commission, the Supreme Court's Minority and Justice Commission, the Sex Offender Policy Board, and the Washington Partnership Council on Juvenile Justice. Most recently, Russ served as a Senior Policy Advisor at the Justice Center of the Council of State Governments and has been appointed to serve as the Chair of Washington's Sentencing Guidelines Commission.

Rick Garza, Director

Rick Garza has been with the Liquor and Cannabis Board since 1997. During Rick's career with WSLCB he has also held the positions of Legislative and Tribal Liaison, Policy Director and Deputy Director. Prior to joining the LCB, Rick served 13 years as a staff member for the Washington State Legislature, including five years with the Washington State Senate and eight years with the state House. His legislative assignments included Policy Analyst in the state Senate, House of Representatives Staff Director, and adviser to House and Senate leadership.



Organizational Structure



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

Enforcement and Education

Enforcement and Education Division

The Enforcement and Education Division is responsible for enforcing state liquor, cannabis, tobacco, and vapor product laws and regulations to promote public safety. Officers also provide education to licensees, communities and local law enforcement agencies.

FY 2018 Staffing Chart

166	Staff
1	Chief
1	Deputy Chief
1	Commander
5	Captains
23	Lieutenants
104	Officers
1	Evidence Coordinator
1	Hearing Officer
1	Management Analyst
1	Program Manager
2	Criminal Records Coordinator
11	Support Staff
3	Investigative Aides
1	FDA Supervisor
1	FDA Program Specialist
8	FDA Inspectors
1	Program Specialist

When a business violates a law, officers consider the totality of the circumstances and are empowered to determine an appropriate course of action to correct non-compliance. Those courses include issuing administrative violation notices, warning notices, and/or criminal arrests and citations. Administrative violation notices can result in a fine, temporary license suspension or both.

In cases of repeat violations, a license can be revoked by action of the Board. The Board may also impose an emergency suspension for significant public safety issues, resulting in a license suspension of up to 180 days.

Region 1 – Southwest Washington

Regional Office: Tacoma

4,597 Licensees / 18 Enforcement Officers

Region 2 – King County

Regional Office: Federal Way

4,544 Licensees / 18 Enforcement Officers

Region 3 – Northwest Washington

Regional Office: Mount Vernon

3,603 Licensees / 12 Enforcement Officers

Region 4 – Central and Eastern Washington

Regional Office: Spokane

3,567 Licensees / 19 Enforcement Officers

Retail Enforcement

Retail Enforcement strives to protect and serve the public by ensuring the legal and responsible sale of alcohol, cannabis, tobacco, and vapor products at retail businesses. Retail enforcement's primary focuses are on youth access, over service, conduct, and license integrity issues. Officers have arrest powers and carry out enforcement operations such as compliance checks, undercover operations, premises checks, complaint investigations, and technical assistance visits to ensure licensees are complying with state liquor, cannabis, tobacco and vapor product laws.



Chief Justin Nordhorn presents Puyallup Police Chief Scott Engle with the Partnership in Public Safety Award.

Enforcement and Education

FY 2018 Key Enforcement Activities

81,859 officer contacts
26,841 liquor premises checks
4,065 tobacco premises checks
2,690 complaint investigations
7,666 licensee support visits
3,257 liquor compliance checks
1,608 tobacco/vapor compliance checks
1,253 cannabis compliance checks
1,818 enforcement actions
238 responsible sales training classes
692 online responsible sales classes
1,356 surveillance hours

Non-Retail Enforcement

The Non-Retail Enforcement unit primarily focuses on the manufacturing, importing, wholesaling and distribution of alcohol products. Officers have the same scope of authority as retail and cannabis enforcement, but focus on educating licensees on the complexities of money's worth, undue influence, contracts and agreements, advertising, promotions and special events. Due to the complexity of non-retail laws and rules, officers conduct individual or small group briefings on liquor laws and participate in industry specific education to stakeholder groups to ensure businesses have the information needed to be successful.

As with retail enforcement, officers are empowered to determine an appropriate course of action to correct non-compliance, which can include issuing administrative violation notices, warning notices and/or criminal arrests and citations. Administrative violation notices can result in a fine, temporary license suspension or both.

Non-Retail Enforcement

Statewide Unit
2,086 Licensees / 6 Enforcement Officers

Cannabis Enforcement

A non-retail enforcement team of 16 Liquor and Cannabis Board enforcement officers with support staff regulates licensed producers and processors. The unit's focus is the inspection of license applicants, education for new producers and processors, security and traceability system compliance and ensuring licensed operations are conducted by the true party of interest.

Retail Enforcement officers conduct youth access compliance checks and monitor traceability and transportation compliance. Each licensed and operating retail location received at least three compliance checks by the end of the fiscal year. No-sales-to-minors compliance rates were at 90 percent for FY 2017.

Cannabis Enforcement

Statewide Unit
1,461 Licensees / 15 Enforcement Officers

Officers seized 12,450 illegal marijuana plants and over 18,957 lbs. of marijuana product from 43 locations due to illegal pesticide application, non-compliance with traceability issues and outside illegal activity involving personal illicit grows.



LCB Enforcement officers assisting local law enforcement during a search and seizure operation.

Tobacco Tax Enforcement

The Tobacco Tax unit has 11 commissioned full time employees inside the Washington State Liquor and Cannabis Board. This dedicated unit pursues strategies to reduce the amount of smuggled, contraband, and otherwise untaxed cigarette and tobacco products in the state. Since 2015 the unit has referred over 38 million dollars worth of referrals to state agencies on untaxed products.

The unit also maintains state and federal partnerships, including dedicated tobacco tax federal task force members; educates wholesalers, distributors and retail licensees on tobacco laws and rules.

Tobacco Tax Enforcement
Statewide Unit
6,534 Licensees / 10 Enforcement Officers

Vapor Enforcement

The Vapor unit has six commissioned full time employees. The expressed purpose of these laws is to provide Washington residents with consumer protection increase child safety and eliminate youth access. Additionally, the team conducts internet enforcement and aids in ensuring vapor licensing requirements are met. They also educate vapor products retailers, distributors, and delivery sales licensees on vapor laws and rules.

Vapor Enforcement
Statewide Unit
3,810 Licensees / 6 Enforcement Officers

Areas of Focus in FY 2018

Alcohol Compliance Efforts

To ensure compliance and prevent sales of alcohol to persons under 21 years of age, officers focus on compliance checks at all locations with complaints, areas with below average compliance rates, and other general checks across the alcohol industry. Officers conduct premises checks and formal classes at many locations to support alcohol industry stakeholders with resources and education to ensure compliance. This program is a vital part in the agency's efforts to curb youth access to alcohol and promote responsible sales and service.

The Enforcement Division was awarded two grants from the Washington Traffic Safety Commission to address impaired driving and public safety. The grants allowed LCB officers to partner with local Target Zero (TZ) teams and participate in high-visibility, multijurisdictional enforcement patrols backed by media outreach.

To increase educational efforts, the TZ program also utilized the Home Safe Bar Program education and compliance visits conducted by LCB officers and local law enforcement partners on the evenings of enforcement patrols in high fatality and serious injury collision areas.

The other grant allowed LCB officer to conduct undercover checks and general premises check statewide in locations of strategic interest (LSIs). The LSIs are businesses with the highest DUI referrals in FY 2018. Efforts included an educational awareness campaign on the risks of over-service.

Enforcement and Education

Top Public Safety Violation Types in FY 2018

Violations can result in Administrative Violation Notices (AVNs) or warnings. There were 912 violations in the top three categories, with 869 AVNs issued resulting in fines or license suspensions.

Sales or service to minors (alcohol)

- 550 violations
- 536 AVNs issued
- 14 warnings issued

Sales of tobacco to a minor

- 211 violations
- 211 AVNs issued
- 0 warnings issued

Sales/service to apparently intoxicated person

- 78 violations
- 50 AVNs issued
- 28 warnings issued

Sales or service to minors (cannabis)*

- 72 violations
- 70 AVNs issued
- 02 warning issued

**Not in the top three.*

aimed at federal regulation of the manufacture, distribution and marketing of tobacco products to protect public health.

The FDA Tobacco Inspection Program is comprised of 10 staff who maintain FDA-commission credentials and conduct tobacco inspections at licensed tobacco retailers in Washington State.

FDA

7350 inspections conducted

498 violations for sales to minor



Lieutenant Steve Trisko retires after 40 years of service with LCB Enforcement. Left to Right: Carol Trisko, Steve Trisko, Board Chair Jane Rushford, and Deputy Chief Steve Johnson.

Food and Drug Administration (FDA) Tobacco Inspections

The FDA re-awarded the WSLCB a tobacco inspection contract that had been originally adopted in 2010. Under federal authority, the WSLCB continued to conduct tobacco inspections



Licensing and Regulation Division

The Licensing and Regulation Division is responsible for assessing, licensing, and maintaining liquor and cannabis licenses for retail, non-retail, and distribution businesses. The division consists of over 80 employees in Customer Service, Licensing, Adjudications, and Education units.

Customer Service

The Customer Service Unit supports division operations by providing service to internal and external customers. Their primary focus is answering phone calls and correspondence regarding Liquor and Cannabis Board protocols, rules and regulations. Customer Service responded to over 2,500 phone calls a month in FY 2018. In addition to the above responsibilities it also supports issuing licenses and permits to the general public, and assists with changes to existing liquor and cannabis licenses.

Notable Events

Special Occasion – All-Age Events

A special occasion license allows a bona fide nonprofit organization to sell alcohol at a specific time, date and place; such as a fundraising dinner, gala event, auction, and wine tasting. Recent changes allow staff to approve events where minors are not restricted from areas alcohol is served outdoors for a special occasion license holder. Previously, minors were restricted from areas where alcohol was served and consumed outdoors. To obtain approval requires an additional application to verify the event is suitable for minors and has sufficient staff monitoring. Over 100 applications for All-Age Events were received in FY 2018, with 60 of those applications approved.

Customer Satisfaction

As part of the licensing process Customer Service regularly sends out surveys for customers to complete after they have received a service from

one of our programs. In FY 2018, 94 percent of customers, on average, indicated they are extremely or moderately satisfied with the service they have received. Licensing integrates customer feedback to improve work processes.

FY 18 Permits Issued

Special Occasions License	6,868
Raffle Permit	286
Agent's License	6,024
Other	1,255

Liquor Licensing

The Liquor Licensing Unit processes applications for both retail and non-retail licenses. In FY 2018, they received over 2,800 applications for new liquor licenses and over 1,100 applications for changes to existing liquor licenses requiring assignment to an investigator.

The Non-Retail Section processes applications for manufacturers, importers, wholesalers, and distributors of alcohol products.

New Non-Retail Liquor Licenses Issued

Farmer's Markets	11
Distributors	30
Distilleries	17
Breweries	57
Wineries	86
Certificate of Approvals	347

The Retail Licensing Section process applications for establishments that sell alcohol for on-premises consumption and off-premises consumption directly to the consumer.

Licensing and Regulation

New Retail Liquor Licenses Issued

Beer and Wine Restaurants	450
Beer and Wine Specialty Shops	53
Catering	23
Grocery Stores	237
Hotels	22
Night Clubs	20
Spirits, Beer and Wine Restaurants	437
Snack Bars	44
Spirit Retailers	23
Taverns	44
Theaters	7
Other	35

Curbside Service: A liquor licensed retailer is allowed to provide curbside service to customers who order groceries and alcohol online to pick them up in designated parking areas of the grocery store. Store employees are required to verify identification at pickup. If identification cannot be verified or the driver appears to be intoxicated, the employee will refuse the sale of alcohol. This interim policy was approved by the Board in April 2018.

Cannabis Licensing

The Cannabis Licensing Unit processes applications for cannabis retailers, producers, processors, transporters and researchers.

Licensed Cannabis Businesses

Producer/Processor	1061
Producer	155
Processor	225
Retail	505
Research	1
Transportation	16

Cannabis Change Applications Approved

Producer and Processor	759
Retail	264

Notable Events

New Food Service Requirements: A spirits, beer and wine restaurant license no longer requires the licensee to serve eight complete meals that come with at least one side dish. The requirement that the side dish must be included with the entrée did not align with various business models or take into consideration it may be problematic for various cultures that do not traditionally serve a side dish with an entrée. Licensees are still required to serve at least eight entrées with the option of a side dish if the customer prefers.

Active License Count

	Grocery, Beer/Wine and Specialty Shops	Spirits Retail Off/On Premises	Beer/ Wine On Premises	Tavern	Hotel	Nightclub	Other	Total
FY 2013	5,534	6,344	2,938	209	139	100	391	15,655
FY 2014	5,540	6,407	3,078	215	152	109	527	16,091
FY 2015	5,603	6,421	3,306	233	190	127	564	16,444
FY 2016	5,632	6,735	3,862	246	190	129	832	17,626
FY 2017	5,815	7,018	3,924	254	198	139	924	18,298
FY 2018	6,022	7,174	4,071	268	210	139	644	18,528

Notable Events

Producer and Processor Applications: This year investigators completed processing all new producer and processor applications received in 2013. Over 7,000 applications were received during the 30-day application window.

Since that time investigators have been working with applicants as they searched for compliant locations, business partners, and funding to start their businesses. Staff will shift resources to the increasing number of change request applications for existing licensees.

Retail Title Certificates: Since the legalization of cannabis in 2012, some local jurisdictions have passed moratoria, bans, restrictive zoning laws, reduced allocations, and placed other prohibitions on the retail sale of cannabis. In some areas, these ordinances have prevented cannabis retail licensees from opening their businesses.

To reduce the costs of maintaining license requirements while not being allowed to operate, the Board allowed adopted an interim policy for retail cannabis licensees. Called a Retail Title Certificate, licensees who are legally prohibited from opening anywhere within their allotted jurisdiction may apply for one. Title Certificate holders are not required to maintain all license requirements as their business is not currently active due to forces outside their control.

Adjudications: The number of hearings and court actions involving the agency have increased post legalization. In FY 2018, Licensing issued over 135 final orders for denial of new and existing cannabis and liquor licenses. The Board affirmed 96 percent of the Final Orders. The majority of license denials are due to administrative violations and personal criminal history.

Education and Outreach

Responsible Vendor Program (RVP): RVP is a free, self-monitoring program for off-premises liquor establishments designed to help adopt and enforce best practices to ensure liquor is sold responsibly. Licensed establishments who are in the program have a higher compliance rate for responsible sales than non-participants.

The RVP course is also offered as an online training available in English, Korean and Spanish. This interactive version runs an hour long and is available 24/7. During FY 2018, nearly 2,500 employees completed the course.

Mandatory Alcohol Server Training (MAST): This permit is required by law for anyone who serves, mixes, sells, or supervises the sale of alcohol for on-premises consumption. In FY 2018, over 45,000 MAST Permits were issued to liquor servers.

Education: The Licensing Division regularly provides training and outreach opportunities for applicants and licensees. In FY 2018, employees participated in over 25 events educating stakeholders on liquor and cannabis regulations. In addition to attending community outreach events, the Education team provides free online classes to answer questions about a variety of alcohol and cannabis related topics.



Officer Rachel Black, MAST/RVP Manager Kim Sauer, and Sergeant Jackie Eliason.

Public Health Awareness

Public Health, Prevention, and Research

To support the public safety mission of the agency, the Public Health Education program focuses on the prevention of underage use of alcohol and cannabis and the reduction of high risk use by adults. With the recent addition of the regulation of vapor products, educational efforts in this area have also begun. Program staff actively participate in coordinated efforts that engage other state agencies, statewide organizations, and educational institutions to align work toward the common goal of healthy and safe communities for all Washington's citizens.

Providing research-based information and eliciting stakeholder feedback to inform policy work is also a component of this program, particularly in the rapidly changing landscape of legalized cannabis use. Public health and prevention stakeholders connect regularly with this program to get up-to-date information, better understand rules and legislation (both current and proposed), request a speaker, and seek resources.



Universal Symbol indicating it contains cannabis required on all infused edible products.

Educating and Engaging

Information and resources for cannabis and alcohol education and underage prevention efforts are provided through in-person presentations, webinars, social and traditional media, and responses to individual requests. In FY 2018, the program staff:

- Provided 16 presentations for local, state, national, and international groups, reaching over 2,200 people.
- Responded to over 288 requests for information.
- Worked with stakeholders in 27 of Washington's 34 counties.

Working Together, Maximizing Resources

Addressing and preventing underage drinking and marijuana use requires the combined efforts of communities, schools, families, and individuals. Multiple government and statewide organizations work together to determine strategies, develop and distribute resources, and provide mentoring and support to communities.

The WSLCB Public Health Education Liaison serves as co-chair of the Washington Healthy Youth (WHY) Coalition and serves on the Coalition's Communication workgroup. The Communications workgroup supported the statewide marijuana education media campaign during FY 2018 in an advisory capacity. With representatives from behavioral health, treatment, public health, law enforcement, education, prevention-based coalitions and others, the WHY Coalition works strategically to coordinate efforts, avoid duplication and maximize resources.

The WSLCB continues to be a sponsoring agency for the biennial Washington Healthy Youth Survey and the annual Washington State Prevention

Summit, participating in the Healthy Youth Survey Planning Committee as well as the Summit Planning Committee. Staff are also members of the Strategic Prevention Enhancement Consortium, the WA Impaired Driving Advisory Council, the Marijuana Interagency Group, the NW HIDTA Prevention and Treatment Advisory Group, and the Prevention Research Subcommittee.



Public Health Education Liaison Mary Segawa addressing the 2017 National Cannabis Summit.

Incorporating Research

Reviewing and monitoring research is an important component of this program for furthering the knowledge of both staff and stakeholders. Research-based information is incorporated in the policy decision-making process and is also used to develop and update educational materials, including the LCB website.

Agency Performance

Results Washington

Since 2013, Results Washington has been established as the performance accountability program that measures results for all state agencies. This is the primary method used by the Governor to implement his vision, mission and goals for building a working Washington. The key goal areas include:

- World Class Education
- Prosperous Economy
- Sustainable Energy and a Clean Environment
- Healthy and Safe Communities
- Efficient, Effective and Accountable Government

During FY 2018, Results Washington continued to evolve and underwent a significant transition.

Governor's Results Reviews

Results review topics were reassessed to ensure greater alignment with the Governor's current priorities. During the past year, topics included: opioid overdose; diversity, equity and inclusion; homelessness and affordable housing; seismic safety; building vibrant communities; local student engagement; and re-entry of previously incarcerated individuals.

The LCB participated in discussions on diversity and equity and also during the local student engagement session. Staff from our Enforcement Division and the agency's Public Health Liaison participated in work groups to address substance abuse issues as key factors inhibiting engagement of youth in higher education and/or the workforce.

Agency Performance

Goal Council Teams Transition

Goal Council teams led by state agency directors continued during the past year. Agency performance results were reviewed monthly and shared with the general public. Director Rick Garza represented the WSLCB on the Goal 5 team covering efficient, effective, and accountable government. As part of this goal, all state agencies reported on areas such as timely delivery of services, customer satisfaction, cost-effective government (including Lean process improvement) and data transparency.

The WSLCB was also represented on the Goal 4 team addressing Healthy and Safe Communities. This team worked on topic areas such as preventing youth access to alcohol, marijuana and tobacco and traffic fatalities due to alcohol and drugs.

With the greater focus on Results Reviews, the goal councils were disbanded in February, 2018. Key outcome measures that align with the statewide goals are being refreshed and WSLCB staff participated in developing the framework and will continue to provide support and data in areas addressing public safety and state enterprise topics.

LCB Results

LCB Results is the agency's long-standing performance program. Regular sessions are held involving senior leaders and program staff to address topics such as licensing and permit trends, and processing, enforcement and education, licensee outreach, human resources, IT services, risk management, budget, and a variety of administrative support functions. Leaders and key staff routinely discuss data trends, program targets and results, identify and solve problems and track significant follow

up activities.

Division-level results sessions are also regularly held to address these and other topics giving key program and unit staff the opportunity to participate in the continuous review and discussion of program results.



Getting results that matter to Washingtonians



Image Courtesy of Results Washington

Income

	FY 2017	FY 2018
Liquor Taxes and License Fees (includes penalties)		
Spirit Fees	\$134.9 million	\$137.6 million
Beer Tax	\$29.4 million	\$31.1 million
Wine Tax (not including assessment)	\$25.5 million	\$25.3 million
Liquor License Fees	\$16.6 million	\$15.8 million
Total Liquor Income	\$206.4 million	\$209.8 million
Cannabis Taxes and License Fees (includes penalties)		
Cannabis Tax	\$315.2 million	\$362.0 million
Cannabis License Fees	\$3.9 million	\$5.4 million
Total Cannabis Income	\$319.1 million	\$367.4 million
Tobacco		
Tobacco Related Income	\$0.7 million	\$0.7 million
Total Tobacco Income	\$0.7 million	\$0.7 million
Total Income	\$526.3 million	\$577.9 million

Expenses

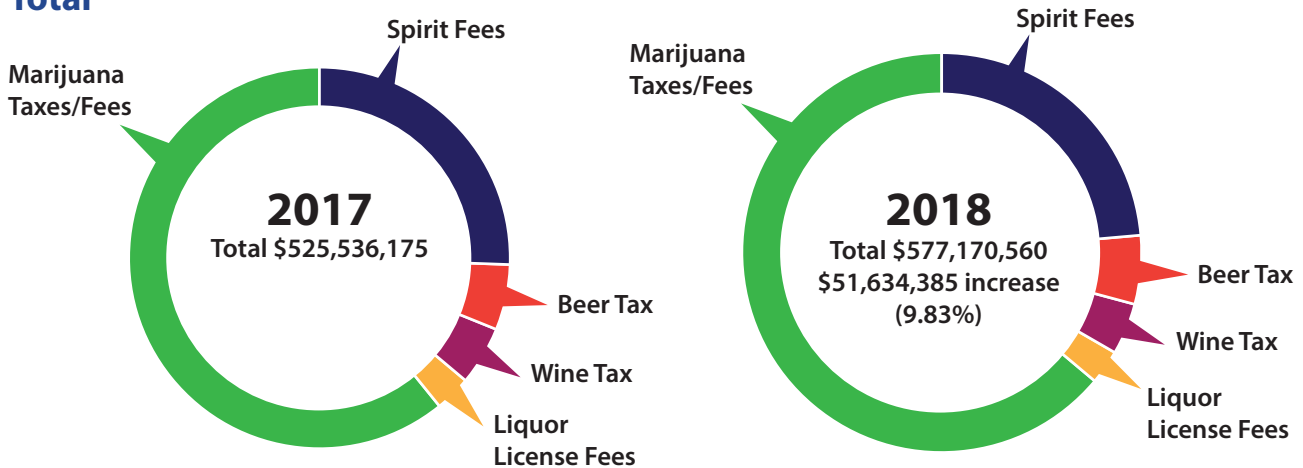
Operating Expenses		
Licensing	\$5.1 million	\$5.4 million
Enforcement	\$14.5 million	\$15 million
General	\$22.4 million	\$21.6 million
Total Operating Expenses	\$42.1 million	\$42.0 million
Distributions/Appropriations		
Distributed to State/Local Governments	\$407.9 million	\$504.4 million
State Agency Appropriations	\$53.6 million	\$60.4 million
Total Distribution/Appropriations	\$461.4 million	\$564.8 million
Total Expenses/Distributions	\$503.5 million	\$606.9 million

Financial Statement

Total Income Comparison Between 2017 and 2018

	FY 2017	FY 2018	
Spirit Fees	\$134,891,800	\$137,577,415	Increase \$2,685,615
Beer Tax	\$29,393,266	\$31,095,167	Increase \$1,701,901
Wine Tax	\$25,514,402	\$25,281,265	Decrease \$233,137
Liquor License Fees	\$16,648,783	\$15,834,220	Decrease \$814,563
Marijuana Taxes/Fees	\$319,087,924	\$367,382,493	Increase \$ 48,294,569
Total	\$525,536,175	\$577,170,560	Increase \$51,634,385

Total



Rules Coordinator Joanna Eide presents to the Board during a public hearing on recreational cannabis home grows.

Revenue Distribution

General Fund - \$215.1 Million

Liquor \$112.7 Million	Revenue sent to the state General Fund is used to provide much-needed additional resources for education and other critical state services.
Cannabis \$102.4 Million	

Basic Health - \$213.9 Million

Cannabis \$213.9 Million	To fund health care services.
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Cities, Counties - \$64.5 Million

Liquor \$49.5 Million	Revenue sent to cities, counties and border areas provides increased flexibility for local government to meet community needs. Revenues are redistributed by statute to communities according to their population. Each local government entity is required to use a portion of the money for alcohol prevention and education. Money is also used to support local law enforcement and other programs.
Cannabis \$15.0 Million	Cannabis revenue sent to cities and counties.

Education, Prevention - \$45.6 Million

Liquor \$9.4 Million	For alcohol and substance abuse programs administered by the Division of Behavioral Health and Recovery including community-based initiatives to reduce underage drinking. Department of Health to fund efforts to prevent the use of vapor products by minors.
Cannabis \$36.2 Million	To distribute public education materials about the health and safety risks of cannabis; to fund substance abuse programs and mental health services; to fund a cannabis education/public health program and grant programs for the prevention and reduction of cannabis use by youth.

Research - \$2.7 Million

Liquor \$1.6 Million	Supports research on alcohol abuse and addiction at the University of Washington (UW) and Washington State University (WSU), and on wine and grape development at WSU. Money also is assigned to support the Washington Wine Commission, which is organized to promote and develop the state's wine industry.
Cannabis \$1.1 Million	To administer the Healthy Youth Survey and contract with the Washington State Institute for Public Policy to conduct the cost-benefit evaluation of the implementation of Initiative 502; for the University of Washington (UW) and Washington State University (WSU) to fund research on effects of cannabis use.

Other - \$23.1 Million

Liquor \$2.3 Million	For the Department of Commerce to contract with the Municipal Research Services Council.
Cannabis \$20.8 Million	Funds grants to support Building Bridges programs; and for Health Care Authority funding for community health centers.

2018 Enacted Liquor and Cannabis-Related Legislation

E2SSB 6529 – Pesticide Application Safety Work Group

Creates a work group to develop recommendations for improving the safety of pesticide applications. LCB will monitor because the agency regulates producers who may use pesticides, sends staff to inspect licensed premises where pesticides may be present, and oversees marijuana testing labs that test for pesticides on marijuana products, there may be some minor impact on agency staff and/or operations.

ESSHB 2334 - Marijuana Products - Cannabinoid Additives

Establishes the definition of “CBD product” as “any product containing or consisting of cannabidiol. Authorizes marijuana producers and processors to add CBD product to marijuana products for the purpose of enhancing the cannabidiol concentration of the product. The CBD product added to the marijuana product must be either:

- Lawfully produced by, or purchased from, a producer or processor licensed by the Liquor and Cannabis Board; or
- Obtained from a source not licensed under Washington state law as long as the CBD product:
- Has a THC level of 0.3 percent or less on a dry weight basis, and
- Has been tested for contaminants and toxins by a testing laboratory accredited pursuant to state law and in accordance with testing standards created under state law and applicable state administrative rules.

HB 2474 - Marijuana Product Container Labels - Business Information

- Removes the requirement that the marijuana retailers that sells or offers for sale a product of marijuana, marijuana concentrates, usable marijuana or marijuana-infused product be identified on the product label.
- The business or trade name and Washington state Unified Business Identifier (UBI) number of the producer and processor must be included on product labels for marijuana, marijuana concentrates, usable marijuana or marijuana-infused product – as is already required under current law.
- Labels on marijuana products are not required to include any information about the retailer selling the marijuana product.

HB 2611 - Privilege for Peer Support Group Counselors

Limited authority Washington peace officers and their communication with peer support group counselors is added to the list of testimonial privileges.

As a result, communication with a peer support group counselor regarding any incident occurring while the limited authority peace officer was acting in his or her official capacity is protected and cannot be compelled in court.

A peer group support counselor is a person who has received training to provide emotional and moral support and counseling to an officer acting in his or her official capacity. The counselor may be a limited authority law enforcement officer, a civilian employee of a state agency or a non-employee counselor designated by a state agency.

HB 2699 - Alcohol Manufacturers Food Storage Warehouse License

Under RCW 69.10.015, operators of food storage warehouses are required to obtain a permit from the Washington State Department of Agriculture. "Food" is defined broadly and includes alcoholic beverages.

HB 2699 removes the requirement for certain food storage warehouse operators to obtain a permit from the Department of Agriculture.

In order to qualify for this exemption from the license requirement, the food storage warehouse must meet each of the following conditions:

- The warehouse is used to store alcoholic beverages;
- The warehouse is not used to store any food other than alcoholic beverages; and
- The alcohol stored at the warehouse is manufactured or distributed under a license issued by the WSLCB under Chapter 66.24 RCW.

ESSB 5928 - Marijuana Financial Services

Declares explicitly that it is not illegal under state law to provide certain financial and other services to marijuana producers, processors, and retailers in Washington who operate as authorized under the provisions of state law.

Activities such as receiving deposits, extending credit, conducting fund transfers, transporting cash or financial instruments on behalf of a financial institution, or providing other financial services are listed as not crimes under state law solely by virtue of conducting those listed activities for a marijuana producer, processor, retailer, or for a qualifying patient, health care professional, designated provider authorized under medical marijuana statutes.

Extends declaration of non-illegality to armored car services operating with a permit from the Utilities and Transportation Commission and under contract to a financial institution

Includes within the definition additional categories of service providers, such as escrow agents, money transmitters, consumer loan firms, certified public accountants, and CPA firms.

HB 2517 - Alcohol Manufacturer Ancillary Activities - Penalties

Requires the agency to adopt rules outlining penalties for licensed alcohol manufacturers who commit violations as part of the licensee's ancillary activities. For example; a suspension of a brewery's tap room for over service would impact the tap room, not the brewery's ability to brew, bottle, and distribute beer.



Spokane Tribal Councilman Glenn Ford (left) shakes hands with Director Rick Garza after signing a Memorandum of Agreement between the Spokane Tribe and the Board.

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Washington State Liquor and Cannabis Board

Mission

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

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