

State of Washington
Decision Package

Agency: 195 Washington State Liquor and Cannabis Board

Decision Package Code/Title: AD – REBASE STATE NETWORK ALLOCATION

Budget Period: 2015 - 2017

Budget Level: M2 - Inflation and Other Rate Changes

Recommendation Summary Text (100 words or less):

This request is to restore funding to the Washington State Liquor and Cannabis Board’s (WSLCB) operating budget for state network services provided by WaTech. As part of the 2015-17 operating budget request, the WSLCB submitted a reduction in IT expenditures using FY 2015 as the base for state network billings from WaTech. Actual expenditures for this service were much lower in FY2015 than FY2014 and there was an assumption made that this would continue at the lower rate in the 2015-17 biennium. In the interim, WaTech switched from a consumption method of billing to an allocation method and used FY2014 as the base to compute the maintenance adjustment. This approach left the WSLCB under funded by \$145,700 for these services in the 2015-17 biennium.

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
501 – Liquor Revolving Fund	\$72,850	\$72,850	\$145,700
Staffing	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
FTEs	0.0	0.0	0.0

Package Description:

As part of the 2015-17 operating budget request, the WSLCB submitted a reduction in IT expenditures using FY 2015 as the base for state network billings from WaTech. Actual expenditures for this service were much lower in FY2015 than FY2014 and there was an assumption made that this would continue at the lower rate in the 2015-17 biennium. In the interim, WaTech switched from a consumption method of billing to an allocation method and used FY2014 as the base to compute the maintenance adjustment. This approach left the WSLCB under funded by \$145,700 for these services in the 2015-17 biennium.

Prior to the 2015-17 biennium, State Data Network (SDN) monthly charges by Consolidated Technology Services (now WaTech) were based on actual consumption. For the 2015-17 biennium, WaTech switched SDN charges to an allocation method in the central services model based on FY2014 consumption levels. However, during FY14 this agency was undergoing an effort to insure that only the software and services that it needed were purchased, reducing SDN costs from \$14,219 to \$2,525 per month. Expecting monthly costs to remain at this level, the agency returned the projected savings as part of the agency's 2015-17 operating budget request.

The agency now has a projected monthly budget shortfall of \$6,070, as illustrated below.

Actual Expenses - 13-15 Biennium		
	FY14	FY15
July	\$ 14,219	\$ 2,525
August	10,469	2,525
September	10,361	2,525
October	8,394	2,525
November	6,722	2,525
December	6,250	2,525
January	6,048	2,525
February	6,048	2,525
March	3,944	2,525
April	3,524	2,525
May	3,257	2,525
June	2,525	2,525
FY Total	\$ 81,762	\$ 30,300
15-17 cost assumptions		
	DES	LCB
FY14 Costs	\$ 81,762	
Biennium Base	163,525	\$ 341,256
15% reduction*		(280,000)
Maint adjust	42,000	
15-17 bien billing	205,525	61,256
Monthly cost (est)	\$ 8,564	\$ 2,552
Monthly billing	\$ 8,595	\$ 2,525
		6,070

15% Reduction calculation		
	Per Month	Biennial amt
July 2013 cost	\$ 14,219	\$ 341,256
June 2015 cost	2,525	60,600
Expected Savings (round down)		\$ (280,000)

Figures in red can be seen on the Central Service Model - item 92J "State Network"

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

Performance Measure Detail

N/A

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

Goal: N/A

Strategy: N/A

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

This decision package provides essential support to "Goal 5: Efficient, Effective, and Accountable Government" by ensuring that the agency has sufficient funding to accomplish its priorities.

What are the other important connections or impacts related to this proposal?

N/A

What alternatives were explored by the agency, and why was this alternative chosen?

N/A

What are the consequences of adopting or not adopting this package?

Not adopting this package will leave the agency with an unexpected budget shortage.

What is the relationship, if any, to the state's capital budget?

None

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None

Expenditure and revenue calculations and assumptions

The amount requested is the difference between the State Data Networks base amount in the Central Service Model and the WSLCB's projected base projected in the 2015-17 budget request.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

All costs are ongoing.

<u>Object Detail</u>	<u>FY2016</u>	<u>FY2017</u>	<u>Total</u>
E Goods & Services	\$72,850	\$72,850	\$145,700
Total objects	\$72,850	\$72,850	\$145,700

State of Washington
Decision Package

Agency: 195 Washington State Liquor and Cannabis Board

Decision Package Code/Title: AE - FUNDING ADJUSTMENT FOR CIM DATA

Budget Period: 2015 - 2017

Budget Level: M2 - Inflation and Other Rate Changes

Recommendation Summary Text:

At the time the Compensation Impact Model (CIM) for the 2015-17 biennium was submitted in January 2014, costs for the implementation of initiative I-502 (recreational marijuana) were being coded to the Liquor Revolving Fund. Mid-biennium, these costs were shifted to the Dedicated Marijuana Account. However, the CIM submission was not updated. This caused salary and benefit compensation adjustments in 2015 session legislation to be funded to the wrong account. This decision package is to shift the funding to the correct account.

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
315 – Dedicated Marijuana Account (111/112)	\$191,892	\$262,654	\$454,546
501 – Liquor Revolving Fund (010)	(\$191,892)	(\$262,654)	(\$454,546)
	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
Staffing			
FTEs	0.0	0.0	0.0

Package Description:

At the time the Compensation Impact Model (CIM) for the 2015-17 biennium was submitted in January 2014, costs for the implementation of initiative I-502 (recreational marijuana) were being coded to the Liquor Revolving Fund. Mid-biennium, these costs were shifted to the Dedicated Marijuana Account. However, the CIM submission was not updated. This caused salary and benefit compensation adjustments in 2015 session legislation to be funded to the wrong account. This decision package is to shift the funding to the correct account.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

N/A

Performance Measure Detail

N/A

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

Goal: N/A

Strategy: N/A

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

N/A

What are the other important connections or impacts related to this proposal?

N/A

What alternatives were explored by the agency, and why was this alternative chosen?

N/A

What are the consequences of adopting or not adopting this package?

The agency will have a portion of the compensation funding for marijuana positions in the Liquor Revolving Fund.

What is the relationship, if any, to the state's capital budget?

None.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None.

Expenditure and revenue calculations and assumptions

Assumes 2015-17 initial operating budget policy budget line items affected were G06 "State Public Employee Benefits Rate", G09 "WFSE General Government", G6A "State Represented Employee Benefits Rate", GGG "Nonrep Job Class Specific", GL1 "WPEA General Government", GL7 "The Coalition of Unions Agreement", and GL9 "General Wage Increase-State Employees".

The determination of how much to shift was based on the number of FTE's in each fund in the CIM submission.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

All costs are considered to be ongoing.

<u>Object Detail</u>	<u>FY2016</u>	<u>FY2017</u>	<u>Total</u>
A Salaries	\$0	\$0	\$0
B Benefits	\$0	\$0	\$0
Total objects	\$0	\$0	\$0

State of Washington
Decision Package

Agency: 195 Washington State Liquor and Cannabis Board

Decision Package Code/Title: B0 MARIJUANA VALIDATION TESTING

Budget Period: 2015-17

Budget Level: PL - Performance Level

Recommendation Summary Text:

An emerging public safety need in the marijuana industry is the validation of the potency results being reported in the Washington State Liquor and Cannabis Board (WSLCB) seed-to-sale traceability system. Through an Inter-agency agreement with the Washington State Department of Agriculture (WSDA) testing will be done to alleviate any public concern regarding THC levels in marijuana sold by state licensees. This request is for the funding necessary to conduct these tests.

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
315-1 Dedicated Marijuana Account-State	\$45,000	\$60,000	\$105,000

Staffing	<u>FY 2016</u>	<u>FY 2017</u>	<u>Annual Average</u>
FTEs	0	0	0

Package Description:

Narrative Justification and Impact Statement

An emerging public safety need in the marijuana industry is the validation of the potency results being reported in the Washington State Liquor and Cannabis Board (WSLCB) seed-to-sale traceability system. Through an Inter-agency agreement with the Washington State Department of Agriculture (WSDA) testing will be done to alleviate any public concern regarding THC levels in marijuana sold by state licensees.

Contracting with WSDA to conduct lab validation testing of marijuana and marijuana products provided to WSDA by WSLCB that come from licensed marijuana producers, processors, and retailers will further protect the public and alleviate any perception of incorrect lab results in the traceability system. This request includes staff training, and testing.

What specific performance outcomes does the agency expect?

WSLCB expects to be able to validate that potency results reported in the seed-to-sale traceability system accurately represent the potency of the marijuana products sold at retail.

Performance Measure Detail

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

Yes. To Enhance the WSCLB’s effectiveness in addressing liquor and cannabis-related public safety issues.

Does this DP provide essential support to one or more of the Governor’s Results Washington priorities?

Yes. Goal 5 – Efficient, effective, and accountable government

What are the other important connections or impacts related to this proposal?

This will allow WSLCB to monitor the integrity of the marijuana quality assurance testing program in order to ensure that customers are accurately informed about the potency of the marijuana products they are purchasing.

What alternatives were explored by the agency, and why was this alternative chosen?

We explored the possibility of having the testing done by other certified labs. This alternative was chosen to avoid possible conflicts of interest with having labs validating their competition’s work.

What are the consequences of adopting or not adopting this package?

Not adopting this package may result in inaccurately labeled marijuana products remaining on store shelves.

What is the relationship, if any, to the state's capital budget?

N/A

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None.

Expenditure and revenue calculations and assumptions

Cost to WSLCB is 10 samples for \$2,000. Estimated approximately 25 samples per month.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

FY 2017 costs are assumed to be ongoing (FY 2016 assumes 9 months of activity).

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
E Goods\Other Services	\$45,000	\$60,000	\$105,000
Total Objects	\$45,000	\$60,000	\$105,000

State of Washington
Decision Package

Agency: 195 Washington State Liquor and Cannabis Board

Decision Package Code/Title: AA - SALARY ADJUSTMENTS NOT PART OF CIM

Budget Period: 2015 - 2017

Budget Level: M2 - Inflation and Other Rate Changes

Recommendation Summary Text:

As a result of legislation enacted in the 2015 legislative session (SB 6052, SB 5280, SB 5052, and HB 2136), staffing levels at the Washington State Liquor and Cannabis Board (WSLCB) increased over what was originally planned. These new positions were not established at the time that the Compensation Impact Model (CIM) was run (June 2014). Funding for any targeted salary and benefit increases and/or COLAs for these new positions was not included in our 2015-17 operating budget. This request is for funding to cover the shortfall.

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
315-Dedicated Marijuana Account (031/032)	\$128,700	\$302,600	\$431,300
501 – Liquor Revolving Fund (050)	\$47,200	\$12,000	\$59,200
501—Liquor Revolving Fund (070)	\$96,600	\$153,300	\$249,900
Total	\$272,500	\$467,900	\$740,400

	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
Staffing			
FTEs	0.0	0.0	0.0

Package Description:

As a result of legislation enacted in the 2015 legislative session, staffing levels at the Washington State Liquor and Cannabis Board (WSLCB) increased over what was originally planned. These new positions were not established at the time that the Compensation Impact Model (CIM) was run (June 2014). Funding for any targeted salary and benefit increases and/or COLAs for these new positions was not included in the agency's 2015-17 operating budget. This request is for funding to cover the shortfall.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

N/A

Performance Measure Detail

N/A

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

Goal: N/A

Strategy: N/A

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

N/A

What are the other important connections or impacts related to this proposal?

Legislation passed during the 2015 session did not include adequate funding for the new positions.

What alternatives were explored by the agency, and why was this alternative chosen?

Costs are unfunded and the agency is unable to absorb.

What are the consequences of adopting or not adopting this package?

The consequences of absorbing unfunded salary and benefit costs in an already reduced and constrained operating budget means other programs would have to be discontinued.

What is the relationship, if any, to the state's capital budget?

N/A

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None.

Expenditure and revenue calculations and assumptions

Targeted salary increases and COLAs are not included in the operating budget for new staff added

in the 2015 legislative session.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

Costs are on-going, using FY2017 as the carry forward number (FY2017 includes full year of salaries and both the 3% and 1.8% COLAs).

<u>Object Detail</u>	<u>FY2016</u>	<u>FY2017</u>	<u>Total</u>
A Salaries	\$147,200	\$258,800	\$406,000
B Benefits	\$125,300	\$209,100	\$334,400
Total objects	\$272,500	\$467,900	\$740,400

State of Washington
Decision Package

Agency: 195 Washington State Liquor and Cannabis Board

Decision Package Code/Title: AB - ENFORCEMENT SALARY COMPRESSION

Budget Period: 2015 - 2017

Budget Level: M2 - Inflation and Other Rate Changes

Recommendation Summary Text:

The agency's liquor enforcement officers received a 10% salary increase in the 2015-17 initial operating budget as a result of targeted salary increases funded by the legislature. This increase is in addition to, and exclusive of, COLAs enacted by the legislature. This increase did not extend to their supervisors (Captains and Commander – WMS Band 2, and Deputy Chief – WMS Band 3) and has created salary compression issues. This request seeks to fund salary increases for the supervisory positions.

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
315-Dedicated Marijuana Account (111/112)	\$7,200	\$7,300	\$14,500
501 – Liquor Revolving Fund (010)	\$39,300	\$40,000	\$79,300
501—Liquor Revolving Fund (070)	\$7,300	\$8,900	\$16,200
Total	\$53,800	\$56,200	\$110,000

Staffing	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
FTEs	0.0	0.0	0.0

Package Description:

In the 2015 legislative session, specific job classes received targeted salary increases. This included the Liquor Enforcement Officers (LEO's). LEO2 (officer), LEO3 (sergeant), and LEO4 (lieutenant) all received 10% salary increases. This increase is in addition to, and exclusive of, the 3% in FY2016 and 1.8% in FY2017 COLAs enacted by the legislature. Prior to the 10% increase being implemented, the difference in salary between a lieutenant and a captain was averaged approximately 13%. After the 10% increase was implemented, this difference was around 3%.

This pattern repeated itself up the chain from captain to commander and commander to deputy chief. It was decided by agency management to increase the captains' salaries to maintain a 12% differential between them and the lieutenants. This action also required that the commander and deputy chief also receive pay increases to prevent compression issues between the commander and a captain and the deputy chief and commander.

This request seeks to fund these salary increases (as well as the higher benefit levels that come with higher salaries).

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

N/A

Performance Measure Detail

N/A

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

Goal: Recruit, develop, retain and value a highly competent and diverse workforce capable of responding quickly and effectively to challenges in the regulatory and business environment
Strategy:

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

This decision package provides essential support to "Goal 5: Efficient, Effective, and Accountable Government" by ensuring that the agency has funding to pay its supervisors the salaries commensurate with their position.

What are the other important connections or impacts related to this proposal?

What alternatives were explored by the agency, and why was this alternative chosen?

The only other alternative to the agency is to find this funding in the current operating budget, negatively impacting other programs in an already reduced, constrained budget.

What are the consequences of adopting or not adopting this package?

Adopting this package allows the agency to move forward without negatively impacting other

programs.

What is the relationship, if any, to the state's capital budget?

N/A

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

N/A

Expenditure and revenue calculations and assumptions

Assumptions are that captains' salaries are set at 12% above a lieutenant's, the commander's salary at 8.3% above a captain's, and the deputy chief's at 9.9% above the commander's.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

Costs are on-going, using FY2017 as the carry forward number (FY2017 includes full year of salaries and both the 3% and 1.8% COLAs)

<u>Object Detail</u>	<u>FY2016</u>	<u>FY2017</u>	<u>Total</u>
A Salaries	\$45,700	\$47,700	\$93,400
B Benefits	\$8,100	\$8,500	\$16,600
Total objects	\$53,800	\$56,200	\$110,000