Washington State
Liquor and Cannabis Board

May 28, 2025

Eric Thomas, Legislative Auditor
Joint Legislative Audit and Review Committee
P.O. Box 40910
Olympia, WA 98504-0910

RE: Formal response to JLARC Report: Cannabis Market Study

Thank you for the opportunity to review and respond to the most recent Joint Legislative Audit and Review Committee (JLARC) final report on the "Cannabis Market Analysis." The Liquor and Cannabis Board (LCB) would especially like to thank our audit team for the partnership and collaboration throughout the duration of the study.

As directed, our response includes the following table to summarize our response:

RECOMMENDATION	AGENCY POSITION	COMMENTS
LCB should submit a plan to the appropriate committees of the Legislature by Dec. 31, 2025, that details the resources and funding needed to collect accurate data from licensees by Dec. 31, 2026.	• Partially concur	The LCB believes it can realistically meet part of this deliverable. However, we have concerns about completing the full deliverable by Dec. 31, 2026. Please see below for additional response.
The Legislature should consider other ways to increase social equity in the cannabis industry beyond new producer licenses.	• Concur	The LCB is tasked by a 2025—27 budget proviso to provide an evaluation of the Cannabis Social Equity Program by Dec. 31, 2025. We are currently issuing retail licenses and later may be issuing additional wholesale or other licenses.

Recommendation 1: LCB should submit a plan to the appropriate committees of the Legislature by Dec. 31, 2025, that details the resources and funding needed to collect accurate data from licensees by Dec. 31, 2026.

The LCB partially concurs with the recommendation. Partial concurrence is due to the second portion of the recommendation.

- Part 1. The LCB will submit a decision package to the governor this year for the 2026 supplemental budget that identifies the additional data elements needed and the resources and funding that would be required for a commercial system that can collect the recommended data.

- Part 2. This recommendation requires a functional system and an industry ready to comply by Dec. 31, 2026. As funding would not be available until July 1, 2026, at the earliest, the length of time needed to stand up a system will need to be based on the vendor, licensee readiness, and LCB employees trained in using the new system.

  It is unrealistic to assume that the resources, funding, and deliverables can all be met by the due date of Dec. 31, 2026. With full funding of our decision package, we believe this recommendation could be achieved in 2027.

The LCB recognizes that the Cannabis Central Reporting System (CCRS) has data gaps and other shortcomings. It was created as a temporary system. We have already issued an RFI to find a long-term reporting system that will integrate with LCB's new enterprise-wide systems portal and provide staff with advanced tools for enforcement and regulatory work.

Although CCRS was never intended as a long-term solution to cannabis tracking, LCB is committed to increasing its capacity while it serves as Washington's tracking system.

Since it was first implemented in 2021, we have made a series of improvements to CCRS. We are adding a list enhancement requested by Enforcement and Education staff within the available framework of CCRS's technology stack.

Since the start of this study, LCB has made efforts to decrease our risk and identify possible diversion through data enhancements and utilization efforts. The following describe those efforts:

- System Alerts. The creation and implementation of system alerts allows us to monitor for missed reporting, entry errors, and other reporting issues to detect possible diversion and facilitate prioritization of enforcement. This was a recommendation in the 2018 audit.

- Financial Audits. Revenue Auditors perform audits based on the data either entered or not entered. This allows them to identify possible reporting and diversion issues and pass them to the Enforcement and Education division.

- Data Dictionary Enhancements. We are enhancing our data dictionary by tying an articulated business value to the data as it is stored on the back end. This will lead to faster response times and reduce staff hours needed to pull or evaluate data.

- Future Enhancements. Within existing resources, we are exploring many other data and reporting enhancements for future implementation into CCRS.

CCRS is a licensee reporting system. CCRS allows for the tracking of cannabis activities, as set forth in WAC 314-55-083(4). All licensees are responsible for ensuring that they report all required tracking information into CCRS. All licensees are also required to maintain records sufficient to prove their tracking of all plants and/or batches they produce. LCB can and does inspect those records in addition to reviewing CCRS entries. There are data validation measures upon upload into the system that will notify the licensee of entry errors. Additionally, the licensee can request reports from CCRS to ensure accuracy and completeness of their uploads.

Recommendation 2: Legislature should consider other ways to increase social equity in the cannabis industry beyond new producer licenses.

2023's E2SSB 5080 added 52 additional cannabis retail licenses for Social Equity purposes. This summer, LCB will be making available a total of 69 retail cannabis licenses (17 additional licenses

were available from discontinued licenses and from other availabilities) in its first round. These are in addition to the 46 made available in 2023.

The LCB is tasked by 2025—27 budget proviso to provide an evaluation of the Cannabis Social Equity Program by Dec. 31, 2025. The wholesale market, as determined by this JLARC study, is shrinking due to market forces. LCB's evaluation will consider the state of the wholesale cannabis marketplace overall and potential licenses that may have a greater chance of success.

In conclusion, LCB is dedicated to ensuring a safe and highly regulated system in Washington State. We recognize that there are always opportunities for data improvements and enhancements and welcome your insight into this matter.

Sincerely,

William Lukela
Director

cc:
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