

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 2144 S HB	<b>Title:</b> Marijuana excise tax revenue
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## Estimated Cash Receipts

Agency Name	2013-15		2015-17		2017-19	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of State Treasurer	Non-zero but indeterminate cost. Please see discussion."					
Liquor Control Board	Non-zero but indeterminate cost. Please see discussion."					
<b>Total \$</b>	0	0	0	0	0	0

## Estimated Expenditures

Agency Name	2013-15			2015-17			2017-19		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Liquor Control Board	.0	0	4,750	.0	0	0	.0	0	0
<b>Total</b>	0.0	\$0	\$4,750	0.0	\$0	\$0	0.0	\$0	\$0

Local Gov. Courts *									
Loc School dist-SPI									
Local Gov. Other **	Non-zero but indeterminate cost. Please see discussion.								
Local Gov. Total									

## Estimated Capital Budget Impact

NONE

<b>Prepared by:</b> Chris Stanley, OFM	<b>Phone:</b> (360) 902-9810	<b>Date Published:</b> Final 2/12/2014
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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

FNPID: 37372

FNS029 Multi Agency rollup

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2144 S HB	<b>Title:</b> Marijuana excise tax revenue	<b>Agency:</b> 090-Office of State Treasurer
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## Part I: Estimates

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No Fiscal Impact

### Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.

### Estimated Expenditures from:

NONE

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

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If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

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If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐

Capital budget impact, complete Part IV.

☐

Requires new rule making, complete Part V.

Legislative Contact:	Melissa Palmer	Phone: 360-786-7388	Date: 02/06/2014
Agency Preparation:	Dan Mason	Phone: 360-902-9090	Date: 02/10/2014
Agency Approval:	Dan Mason	Phone: 360-902-9090	Date: 02/10/2014
OFM Review:	Chris Stanley	Phone: (360) 902-9810	Date: 02/10/2014

Request # 076-1

Bill # 2144 S HB

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

SHB 2144 creates the dedicated local jurisdiction marijuana fund. Earnings from investments will be credited to the general fund.

Earnings from investments:

Estimated earnings from investments are indeterminable because projected cash flows are needed to make the estimate and are currently unavailable. Earnings for an account are a function of the average daily balance of the account and the earnings rate of the investment portfolio. The average daily balance is a function of the beginning balance in the account and the timing & amount of receipts, disbursements, & transfers during the time period under review. Accordingly, even with a beginning balance of zero, two accounts with the same overall level of receipts, disbursements, and transfers can have different average daily balances, and hence different earnings.

For illustrative purposes, assume based on the November 2013 revenue forecast that approximately \$1,200 in FY 15, \$2,800 in FY 16, and \$20,000 in FY 17 in net earnings would be gained or lost annually for every \$1 million shift in average daily cash balances.

Debt Limit:

There may be an impact on the debt service limitation calculation. Any change to the earnings credited to the general fund will change, by an equal amount, general state revenues.

### II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

SHB 2144 creates the dedicated local jurisdiction marijuana fund. Earnings from investments will be credited to the general fund.

### II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

NONE

## Part IV: Capital Budget Impact

NONE

**Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 2144 S HB	<b>Title:</b> Marijuana excise tax revenue	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

☒ No Fiscal Impact

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Melissa Palmer	Phone: 360-786-7388	Date: 02/06/2014
Agency Preparation:	Steve Smith	Phone: 360-534-1518	Date: 02/12/2014
Agency Approval:	Don Gutmann	Phone: 360-534-1510	Date: 02/12/2014
OFM Review:	Kathy Cody	Phone: (360) 902-9822	Date: 02/12/2014

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## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Note: This fiscal note reflects language in SHB 2144, 2014 Legislative Session.

Under current law, all revenues collected from the marijuana excise taxes imposed under RCW 69.50.535 are deposited into the dedicated marijuana fund administered by the State Treasurer.

This bill establishes a new fund administered by the State Treasurer, the dedicated local jurisdiction marijuana fund (local marijuana fund.) Ten percent of the marijuana excise tax revenues collected from the wholesale sale of marijuana by licensed producers to licensed processors, or to other licensed producers, must be credited to the local marijuana fund. Twenty percent of the marijuana excise tax revenues collected from the retail sales of useable marijuana and marijuana-infused products by licensed marijuana retailers must also be credited to the local marijuana fund.

Every three months the taxes in the local marijuana fund that were received from marijuana producers must be disbursed by the Liquor Control Board to the jurisdiction where the producer is physically located. Each local jurisdiction must receive revenue distributions that are proportionate to the local marijuana fund revenues received from producers physically within that jurisdiction.

Every three months taxes in the local marijuana fund from retail sales must also be disbursed by the Liquor Control Board to the jurisdiction where the retail sale originated. Each local jurisdiction having retail sales of marijuana must receive revenue distributions that are proportionate to the local marijuana fund revenues received from sales within that jurisdiction.

The bill also establishes state preemption of the regulation of controlled substances under chapter 69.50 RCW, including licensing, taxation, production, processing and retail sales of marijuana.

The bill takes effect July 1, 2014.

### II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

There are no revenue impacts to taxes administered by the Department of Revenue as a result of this legislation.

### II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

The Department of Revenue will not incur any costs with the implementation of this legislation.

## Part III: Expenditure Detail

## Part IV: Capital Budget Impact

*Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods*

NONE

None.

## **Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

No rule-making required.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2144 S HB	<b>Title:</b> Marijuana excise tax revenue	<b>Agency:</b> 195-Liquor Control Board
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.
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### Estimated Expenditures from:

	FY 2014	FY 2015	2013-15	2015-17	2017-19
<b>Account</b>					
Liquor Revolving Account-State 501-1	4,750	0	4,750	0	0
<b>Total \$</b>	4,750	0	4,750	0	0

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Melissa Palmer	Phone: 360-786-7388	Date: 02/06/2014
Agency Preparation: Colin O'Neill	Phone: (360) 664-1675	Date: 02/10/2014
Agency Approval: Michael Kashmar	Phone: 360-664-1690	Date: 02/10/2014
OFM Review: Chris Stanley	Phone: (360) 902-9810	Date: 02/10/2014

Request # 2144 SHB-1



## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Section 1(1b) - creates the Local Jurisdiction Marijuana Fund.

Section 2(4a) - 10% of the marijuana excise taxes collected under RCW 69.50.535(1) - the 25% marijuana producer excise tax - shall be deposited into the Local Jurisdiction Marijuana Fund.

Section 2(4c) - 20% of the marijuana excise taxes collected under RCW 69.50.535(3) - the 25% marijuana retail excise tax - shall be deposited into the Local Jurisdiction Marijuana Fund.

Section 3(2) - All marijuana taxes deposited into the Local Jurisdiction Marijuana Fund shall be disbursed every three months by the Liquor Control Board back to the local jurisdiction where the sale originated.

Section 4 - clarifies that marijuana is part of the list of controlled substances regulated by the state and not local governments. Any ordinances passed by local governments that are inconsistent with state law or that interfere with the development, implementation, or maintenance of the state-regulated retail marijuana market are unenforceable.

### II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

The effect of diverting 10% of the 25% marijuana producer excise tax in RCW 69.50.535(1) and 20% of the 25% marijuana retail excise tax in RCW 69.50.535(3) on General Fund-State and other funds is unknown as there are no projections of marijuana revenue at this time.

### II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

Information Technology - there will be costs to modify the Seed-To-Sale tracking system to produce reports showing marijuana producer sales and retail sales by cities and counties. Estimated at 25 hours for report development for the producer report and 25 hours for the retail report.

### Part III: Expenditure Detail

#### III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts	4,750		4,750		
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total:</b>	\$4,750	\$0	\$4,750	\$0	\$0

#### III. C - Expenditures By Program (optional)

Program	FY 2014	FY 2015	2013-15	2015-17	2017-19
Information Technology (070)	4,750		4,750		
<b>Total \$</b>	4,750		4,750		

### Part IV: Capital Budget Impact

NONE

### Part V: New Rule Making Required

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

<b>Bill Number:</b> 2144 S HB	<b>Title:</b> Marijuana excise tax revenue
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## Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

- ☒ Cities: Indeterminate increased revenue in jurisdictions where marijuana retail sales originate and indeterminate expenditure impacts for some jurisdictions
- ☒ Counties: Same as above
- ☐ Special Districts:
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

## Part II: Estimates

- ☐ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☐ Legislation provides local option:
- ☒ Key variables cannot be estimated with certainty at this time: Marijuana revenue estimates and specific expenditure impacts due to amending regulations

### Estimated revenue impacts to:

Indeterminate Impact

### Estimated expenditure impacts to:

Indeterminate Impact

## Part III: Preparation and Approval

Fiscal Note Analyst: Darleen Muhly	Phone: (360) 725-5030	Date: 02/12/2014
Leg. Committee Contact: Melissa Palmer	Phone: 360-786-7388	Date: 02/06/2014
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 02/12/2014
OFM Review: Chris Stanley	Phone: (360) 902-9810	Date: 02/12/2014

## Part IV: Analysis

### A. SUMMARY OF BILL

*Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.*

#### DIFFERENCES BETWEEN THIS AND THE PRIOR VERSION:

The substitute bill reduces the portion of excise tax revenue deposited into the local jurisdiction marijuana fund from retailer-to-consumer marijuana sales from 30 percent, but adds that 10 percent of excise tax revenue from producer-to-processor sales be deposited into that account to be disbursed to the local jurisdiction in which the producer sits. The substitute also adds a provision expressly preempting local laws and ordinances that pertain to regulation of legal marijuana or otherwise interfere with the legal marijuana market.

#### SUMMARY OF THIS BILL:

This bill would create a dedicated local jurisdiction marijuana fund and would redirect 20 percent of the excise tax collected on retailer-to-consumer sales and 10 percent of the excise tax collected on producer to processor sales from the general marijuana fund to this new fund. The Liquor Control Board must disburse quarterly all marijuana taxes deposited into the local jurisdiction marijuana fund back to the local jurisdiction where the retail sale originated and the producer is located. This bill would also expressly preempt local laws and ordinances that pertain to regulation of legal marijuana or otherwise interfere with the legal marijuana market.

### B. SUMMARY OF EXPENDITURE IMPACTS

*Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.*

The preemption of local government regulation is broadly written and therefore could have potentially unintended fiscal consequences to local governments. According to the Association of Washington Cities, this provision could result in indeterminate increased expenditures associated with taking action to comply with this provision. These actions might include modifying zoning regulations, and modifying or repealing local ordinances and moratoria. The per unit cost for complex hearings is estimated at \$1,230, although it is difficult to predict how complex such hearings would be or how many hearings would be held in each jurisdiction.

### C. SUMMARY OF REVENUE IMPACTS

*Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.*

#### DIFFERENCES BETWEEN THIS AND THE PRIOR VERSION:

The differences in tax revenue amounts between the two versions are unknown because there are no official estimates on marijuana revenue at this time.

#### IMPACT OF THIS BILL:

This bill would increase local government revenue by diverting 20 percent of excise tax on retail sales of marijuana and 10 percent of producer to processor sales of marijuana to the local jurisdictions where those sales originate. According to the Liquor Control Board, the effect of diverting this tax is unknown because there are no official estimates on marijuana revenue at this time.

#### SOURCES:

Liquor Control Board fiscal note  
Association of Washington Cities  
Local Government unit cost data