

Individual State Agency Fiscal Note

Bill Number: 2334 HB	Title: Cannabinoid additives	Agency: 195-Liquor and Cannabis Board
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years	0.0	2.0	1.0	2.0	2.0
Account					
Dedicated Marijuana Account-State 315-1	0	247,547	247,547	388,494	388,494
Total \$	0	247,547	247,547	388,494	388,494

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.

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Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 01/08/2018
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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.

Section 1 would allow licensed marijuana producers and processors to use a CBD product as an additive for the purposes of enhancing the cannabidiol concentration of any product authorized for production, processing, and sale by a marijuana licensee. CBD products must be produced by or purchased from a licensed marijuana producer or processor. Licensed marijuana producers and processors may purchase a CBD product from a source not licensed as a marijuana producer or processor, provided the CBD product has a THC level of 0.3% or less, meets testing standards, and has been explicitly approved by the Washington State Liquor and Cannabis Board (LCB).

Section 1(c) states that the LCB may enact rules to implement the requirements of this section.

Section 2(vv) defines "CBD product" as any product containing or consisting of cannabidiol.

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.

No cash receipt impact.

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.

Licensing Division:

Section 1(b)(3) would require the Washington State Liquor and Cannabis Board (LCB) to explicitly approve CBD products for use by marijuana producers and processors. Adding cannabinoids is a common current practice among marijuana producers and processors. The estimated workload of reviewing and approving CBD product requests would create the need for a new position - 1 FTE Program Specialist 2 (PS2). \$74,870/year ongoing (\$72,120 in salary/benefits, \$2,750 in associated costs). One-time setup costs of \$6,255 in FY19.

Enforcement Division:

The LCB Enforcement Division utilizes a methodology called "Field Increments" (also known as "FI") when determining the workload impact of an enforcement activity. Enforcement officers spend portions of their time driving, training, being in the office, and taking leave. Time spent in these activities is time that an officer is unavailable for field work directly engaging in activities such as premise checks, inspections, and investigations. Field increments are the amount of time that it takes to do an activity in the field. Each FI is 1/10th of an hour (6 minutes). For example, if a tavern premise check takes 2 FI's and two officers, it is anticipated that one check will consume 4 FI's (24 minutes of field work time - 2 FI's x 2 officers x 6 minutes). Using historical data, the Enforcement Division has determined that an officer is available for 4,220 FI's each year.

Regulating CBD products will be new work for the Enforcement Division. The workload impact will require an additional LCB Enforcement Officer 2 (LEO2). Ongoing costs of \$116,777 per year (\$100,227 in

salaries/benefits, \$16,550 in associated costs). One-time costs in FY19 of \$27,695 for training and set-up. Please see the attached "2334 HB Cannabinoid additives Field Increment calculator" for a breakdown of the workload impact.

The Enforcement Division anticipates performing 13 marijuana audits per year, each of which will require a lab test of CBD products to determine compliance. The current contract with the Department of Agriculture sets the cost at \$200/test, so testing costs will be \$2,600 per year.

Information Technology Division:

There will be costs to modify the agency's licensing system (iSeries - estimated at 44 hrs @\$150/hr = \$6,600 in contracted costs) and traceability system (Leaf - estimated at 85 hrs @\$150/hr = \$12,750 in contracted costs). There will also be one-time divisional staff cost that is expected to be minimal.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years		2.0	1.0	2.0	2.0
A-Salaries and Wages		120,072	120,072	240,144	240,144
B-Employee Benefits		52,275	52,275	104,550	104,550
C-Professional Service Contracts		19,350	19,350		
E-Goods and Other Services		23,520	23,520	21,000	21,000
G-Travel		15,160	15,160	22,320	22,320
J-Capital Outlays		17,170	17,170	480	480
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	\$0	\$247,547	\$247,547	\$388,494	\$388,494

III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2018	FY 2019	2017-19	2019-21	2021-23
LCB Enforcement Officer 2	70,320		1.0	0.5	1.0	1.0
Program Specialist 2	49,752		1.0	0.5	1.0	1.0
Total FTEs			2.0	1.0	2.0	2.0

III. C - Expenditures By Program (optional)

Program	FY 2018	FY 2019	2017-19	2019-21	2021-23
Licensing Division (050)		81,125	81,125	149,740	149,740
Enforcement Division (060)		147,072	147,072	238,754	238,754
Information Technology Division (070)		19,350	19,350		
Total \$		247,547	247,547	388,494	388,494

Part IV: Capital Budget Impact

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.

Section 1(c) states that the LCB may enact rules to implement the requirements related to using CBD products as additives

as would be allowed under this section.

2334 HB "Cannabinoid additives"- Enforcement Field Increment (FI) Calculator

CBD				
1,220 Processors	Number of events	Time Factor	Staffing Factor	FI Total
Complaint Investigations Marijuana	37	20	1.3	962
Marijuana Audits	13	60	2.5	1950
Non RVP Member Support and Education	61	7	1	427
				0
				0
				0
				0
				0
Total FI's				3,339
Total Field Increments per FTE				4,220
FTE's required				0.79
Round				1.0 FTE

Notes	Frequency
1,220 Processors	
Complaint Investigations Marijuana	3%
Marijuana Audits (% of investigations)	35%
Non RVP Member Support and Education	5%