

Multiple Agency Fiscal Note Summary

Bill Number: 2870 E 2S HB	Title: Marijuana retail licenses
----------------------------------	---

Estimated Cash Receipts

Agency Name	2019-21		2021-23		2023-25	
	GF- State	Total	GF- State	Total	GF- State	Total
Liquor and Cannabis Board	0	2,507,453	0	9,980,906	0	9,980,906
Total \$	0	2,507,453	0	9,980,906	0	9,980,906

Agency Name	2019-21		2021-23		2023-25	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Local Gov. Total						

Estimated Operating Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Commerce	.6	0	0	1.2	0	0	1.2	0	0
Office of Financial Management	.0	0	0	.0	0	0	.0	0	0
Commission on Hispanic Affairs	.0	0	0	.0	0	0	.0	0	0
Commission on African-American Affairs	.0	0	0	.0	0	0	.0	0	0
Liquor and Cannabis Board	.5	0	327,185	.0	0	308,586	.0	0	308,586
Total \$	1.1	0	327,185	1.2	0	308,586	1.2	0	308,586

Estimated Capital Budget Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Commerce	.0	0	0	.0	0	0	.0	0	0
Office of Financial Management	.0	0	0	.0	0	0	.0	0	0
Commission on Hispanic Affairs	.0	0	0	.0	0	0	.0	0	0
Commission on African-American Affairs	.0	0	0	.0	0	0	.0	0	0
Liquor and Cannabis Board	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

Prepared by: Ramona Nabors, OFM	Phone: (360) 902-0547	Date Published: Final 2/21/2020
--	---------------------------------	---

Individual State Agency Fiscal Note

Bill Number: 2870 E 2S HB	Title: Marijuana retail licenses	Agency: 103-Department of Commerce
----------------------------------	---	---

Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.0	1.2	0.6	1.2	1.2
Account					
Total \$					

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: Richard Rodger	Phone: (360)786-7461	Date: 02/17/2020
Agency Preparation: Karen McArthur	Phone: 360-725-4027	Date: 02/20/2020
Agency Approval: Joyce Miller	Phone: 360-725-2710	Date: 02/20/2020
OFM Review: Gwen Stamey	Phone: (360) 902-9810	Date: 02/21/2020

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.

Differences between the engrossed second substitute bill and the substitute bill:

Section 3 removes the purchase of equipment, software, or facilities from the list of technical assistance activities eligible for funding under the marijuana social equity technical assistance competitive grant program.

Section 4(1)(i) increases the appropriation by one million dollars, for a total of one million one hundred thousand dollars annually, to fund the marijuana social equity technical assistance competitive grant program under Section 3 of this act.

Summary of the engrossed second substitute bill:

Section 3 adds a new section to 43.330 RCW creating a competitive technical assistance grant program in the Department of Commerce (department) for marijuana retailer license applicants who are submitting social equity plans.

Section 4(1)(i) provides an appropriation of one million one hundred thousand dollars annually to the department to fund the technical assistance grant program.

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.

NONE

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.

Section 3 – Small Business Technical Assistance Grant Program

The costs the department would incur would be reimbursed through an interagency agreement with the State Liquor and Cannabis Board (board). The department would develop and manage a competitive grant program focusing on small business development. To accomplish this work the department estimates:

1.0 FTE Commerce Specialist 3 (2,088 hours in FY21-25) to work with the board in the creation of the grant program application process, including application guidelines and deadlines. In addition, staff would set up and provide support to a grant application review committee, including establishing criteria for ranking applicants, screening applications for consideration by the grant review committee, monitoring grants and reviewing reports and invoices received from grantees.

Salaries and Benefits

FY21-25: \$103,689 per fiscal year

Goods and Services, Travel and Equipment

FY21: \$65,572

FY22-24: \$59,572

FY 25: \$60,888 per fiscal year

Grants

FY21-25: \$1,100,000 per fiscal year

Note: Travel costs include program startup and contract monitoring. Standard goods and services costs include supplies and materials, employee development and training, Attorney General costs and agency administration. Agency administration costs (e.g., payroll, HR, IT) are funded under a federally approved cost allocation plan.

=====

Total Estimated Costs

FY21: \$1,269,261

FY22-24: \$1,263,261 per fiscal year

FY25: \$1,264,577

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years		1.2	0.6	1.2	1.2
A-Salaries and Wages		76,422	76,422	152,844	152,844
B-Employee Benefits		27,267	27,267	54,534	54,534
C-Professional Service Contracts					
E-Goods and Other Services		57,572	57,572	113,144	113,144
G-Travel		3,000	3,000	6,000	6,000
J-Capital Outlays		5,000	5,000		1,316
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services		1,100,000	1,100,000	2,200,000	2,200,000
P-Debt Service					
S-Interagency Reimbursements		(1,269,261)	(1,269,261)	(2,526,522)	(2,527,838)
T-Intra-Agency Reimbursements					
9-					
Total \$	0	0	0	0	0

III. C - Operating FTE 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 2020	FY 2021	2019-21	2021-23	2023-25
Agency Administration	69,552		0.2	0.1	0.2	0.2
Commerce Specialist 3	77,952		1.0	0.5	1.0	1.0
Total FTEs			1.2	0.6	1.2	1.2

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

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.

Section 3(4) allows the department to adopt rules to implement the grant program.

Individual State Agency Fiscal Note

Bill Number: 2870 E 2S HB	Title: Marijuana retail licenses	Agency: 105-Office of Financial Management
----------------------------------	---	---

Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating 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:

- ☐ 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: Richard Rodger	Phone: (360)786-7461	Date: 02/17/2020
Agency Preparation: Jim Jenkins	Phone: 360-902-0403	Date: 02/18/2020
Agency Approval: Aaron Butcher	Phone: 360-902-0406	Date: 02/18/2020
OFM Review: Bryan Way	Phone: (360) 902-0650	Date: 02/19/2020

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.

The amendments to this bill version does not affect the Office of Financial Management (OFM) and has no fiscal impact.

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.

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 - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 2870 E 2S HB	Title: Marijuana retail licenses	Agency: 118-Commission on Hispanic Affairs
----------------------------------	---	---

Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating 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:

- ☐ 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: Richard Rodger	Phone: (360)786-7461	Date: 02/17/2020
Agency Preparation: Paul Bitar	Phone: 360-407-8129	Date: 02/18/2020
Agency Approval: Paul Bitar	Phone: 360-407-8129	Date: 02/18/2020
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 02/19/2020

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.

None of the changes included in 2870 E2S HB would result in any costs to CHA.

Section 5 of 2870 SHB would require CHA to participate in a social equity in marijuana task force. The task force would convene in July 2020, and issue a report by December 1, 2020.

CHA assumes that there would be no more than 3-4 meetings, and that the meetings would be held in Olympia. Accordingly, CHA does not anticipate any costs associated with this bill.

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.

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 - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 2870 E 2S HB	Title: Marijuana retail licenses	Agency: 119-Commission on African-American Affairs
----------------------------------	---	---

Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating 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:

- ☐ 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: Richard Rodger	Phone: (360)786-7461	Date: 02/17/2020
Agency Preparation: Chad Johnson	Phone: (360) 407-8130	Date: 02/19/2020
Agency Approval: Chad Johnson	Phone: (360) 407-8130	Date: 02/19/2020
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 02/19/2020

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 5 creates a legislative task force to make recommendations to the board - CAAA is identified to be on this task force. The agency assumes all costs will be absorbed as the meetings will be held in Olympia.

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.

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 - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 2870 E 2S HB	Title: Marijuana retail licenses	Agency: 195-Liquor and Cannabis Board
----------------------------------	---	--

Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2020	FY 2021	2019-21	2021-23	2023-25
Dedicated Marijuana Account-State 315-1		2,507,453	2,507,453	9,980,906	9,980,906
Total \$		2,507,453	2,507,453	9,980,906	9,980,906

Estimated Operating Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.0	0.9	0.5	0.0	0.0
Account					
Dedicated Marijuana Account-State 315-1	0	327,185	327,185	308,586	308,586
Total \$	0	327,185	327,185	308,586	308,586

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: Richard Rodger	Phone: (360)786-7461	Date: 02/17/2020
Agency Preparation: Thea McNally	Phone: 360-664-4552	Date: 02/20/2020
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 02/20/2020
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 02/21/2020

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 2(1): Until July 1, 2028, marijuana retailer licenses that have been subject to forfeiture, revocation, or cancellation by the Washington State Liquor and Cannabis Board ("Board"), or licenses that could have been issued without exceeding the cap on the statewide number of marijuana retail licenses, may be issued or reissued to an applicant that meets the marijuana retailer license requirements of this chapter.

Section 2(2): To qualify for a license under Section 2(1), applicants must be a social equity applicant and submit a social equity plan, along with other marijuana retailer license requirements to the Board.

Section 2(3): The Board may prioritize applicants based on the extent by which the application addresses the social equity plan requirements.

Section 2(4): The Board may adopt rules to implement this section. Rules may include strategies for receiving advice on the social equity program from communities the program is intended to benefit.

Section 3(1): The technical assistance competitive grant program is established and is to be administered by the Department of Commerce (COM).

Section 3(2): The technical assistance competitive grant program must award grants on a competitive basis to marijuana retailer license applicants who are submitting social equity plans under section 2 of this act. COM must award grants primarily based on the strength of the social equity plans submitted by applicants but may also consider additional criteria if deemed necessary or appropriate. Technical assistance activities eligible for funding under the technical assistance competitive grant program include:

- (a) Assistance navigating the marijuana retailer licensure process;
- (b) Marijuana-business specific education and business plan development;
- (c) Regulatory compliance training;
- (d) Financial management training and assistance in seeking micro loans;
- (e) Connecting applicants with established industry members and tribal marijuana enterprises and programs for mentoring and other forms of support approved by the Board and local jurisdictions.

Section 4(1i): \$1.1 million annually is appropriated in the Dedicated Marijuana Account to the Department Of Commerce to fund the technical assistance competitive grant program under section 3 of this act.

Section 5: Establishes a task force on marijuana social equity for the purpose of making recommendations to the LCB on establishing a social equity program for the issuance and reissuance of all marijuana licenses.

- Provides that the task force is composed of members of the Legislature, certain governmental officials, certain marijuana license holders, a member of the Association of Washington Cities, individuals representing the African American and Hispanic communities, a member of the Commission on African American Affairs, a member of the Commission on Hispanic Affairs, and an individual representing the Latinx community.

- Provides that the chair of the task force may invite additional individuals representing other sectors to the task force to participate in an advisory capacity in meetings, in consultation with the appointed members of the task force.

- Requires the task force to submit a report on recommended policies that will facilitate the development of a marijuana social equity program in Washington to the Governor and the appropriate committees of the

Legislature by December 1, 2020.

- Provides that the recommendations from the task force must include whether any additional marijuana licenses should be issued beyond the total amount of marijuana licenses that have been issued as of the effective date of this section.
- Provides that the Board may adopt rules to implement the recommendations of the task force.

CHANGES FROM 2870 SHB (Prior Version)

- (1) Moves the beginning date for the issuance and reissuance of marijuana retail licenses under the Social Equity Program (Program) to December 1, 2020;
- (2) Requires Program applicants with multiple owners to have a majority of the owners reflect the qualifications of a social equity applicant;
- (3) Removes a provision related to the eligibility of an individual to have a previous misdemeanor marijuana offense vacated as a qualifying factor in being considered a social equity applicant;
- (4) Authorizes the Liquor and Cannabis Board (LCB) to prioritize Program applicants based on the components of the applicant's Social Equity Plan (Plan), rather than requiring the LCB to give priority to applicants who represent a race or gender that have experienced some form of discrimination due to passive participation in a system of racial exclusion;
- (5) Provides that a "disproportionately impacted area" means a census tract or comparable geographic area with a high rate of:
 - (a) Poverty and unemployment;
 - (b) Participation in income-based or state programs; and
 - (c) Arrest, conviction, and incarceration related to the sale, possession, use, cultivation, manufacture, or transport of cannabis;
- (6) Authorizes the LCB to further define criteria for a "disproportionately impacted area" in rule, after consultation with the Washington State Commission on African American Affairs(Commission) and other stakeholders;
- (7) Modifies the Program's Social Equity Goals (Goals) by:
 - (a) Adding the accumulated harm suffered by individuals, families, and communities to an existing goal on reducing the disproportionate impacts of marijuana enforcement; and
 - (b) Removing references to persons of color and underrepresented communities to an existing goal on increasing marijuana retail license ownership among specified populations;
- (8) Modifies the Plan by:
 - (a) Requiring the Plan to address some, rather than all, of the specified Plan components;
 - (b) Removing provisions related to majority ownership requirements among communities of color and requiring the Plan to come from the Commission; and
 - (c) Allowing LCB to amend Plan requirements after consulting with the Marijuana Social Equity Task Force (Task Force);
- (9) Renames the Department of Commerce grant program the Marijuana Social Equity Technical Assistance Competitive Grant Program (Grant Program);
- (10) Amends the authorized activities for grant funds under the Grant Program by removing the:
 - (a) Ability to purchase equipment, software, and facilities; and
 - (b) Requirement that local governments provide approval for mentoring and support activities for social equity applicants;
- (11) Modifies a Task Force directive to provide recommendations regarding the issuance and reissuance of licenses under the Program by limiting recommendations to marijuana retail licenses, rather than all marijuana

licenses;

(12) Adds to the purpose of the Task Force a directive to advise the Governor and the Legislature on policies that will facilitate development of the Program;

(13) Adds a provision under the marijuana retailer license requirements authorizing the LCB to issue marijuana retailer licenses pursuant to the requirements under the Program; and

(14) Modifies the intent section.

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.

Based on the last 12 months of marijuana retail sales activity, the yearly average of marijuana excise tax collected per retailer was \$765,000. The Board currently has 13 licenses available to be issued. If those 13 licenses were issued and 50% of taxes collected from each new license was attributable to new sales rather than shifting from existing licensees, the amount of new marijuana excise tax collections per year could be \$382,500 for each new license. Total annual tax revenues would be \$4,972,500 (\$382,500 x 13 licenses). FY2021 revenues assume the 13 licensees do not become operational and begin generating excise tax revenue until January 1, 2021.

The application fee for a marijuana retailer license is \$250 (one-time) and the renewal fee is \$1,381 per year. If all 13 retailer licenses are issued in FY21, license fee revenues would be:

Application fees (FY21 only): \$3,250 (13 x \$250)

Renewal fees (annual): \$17,953 (13 x \$1,381)

FY21: \$21,203

FY22+: \$17,953

Total cash receipts:

FY21: \$2,507,453

FY22+: \$4,990,453

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 Division:

To track licenses issued under the provisions of this bill, there would be IT implementation costs relating to modifying the existing iSeries, Oracle, Replication, and SSRS reporting systems. A new input form would also need to be created. Contracted costs (iSeries) are assumed at \$24,000 (160 hours x \$150/hr). Agency staff costs are assumed to be 0.9 FTE of Senior/Specialist time, \$138,892 (\$136,204 in salary/benefits, \$2,688 in associated costs). All IT costs are one-time in FY21.

Interagency agreements:

The Department of Commerce has the responsibility of managing the technical assistance competitive grant program (Sect 3). Costs incurred by the Department of Commerce to administer the grant program would be

billed to the Board, so these costs are assumed as interagency reimbursements. The Department of Commerce assumes that 1 FTE of Commerce Specialist 3 would be required to manage the grant program - \$164,293 in FY21, \$154,293 each year thereafter. (\$103,689 in salary/benefits, \$60,604 in associated costs in FY21 and \$50,604 each year thereafter).

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2020	FY 2021	2019-21	2021-23	2023-25
315-1	Dedicated Marijuana Account	State	0	327,185	327,185	308,586	308,586
Total \$			0	327,185	327,185	308,586	308,586

III. B - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years		0.9	0.5		
A-Salaries and Wages		103,486	103,486		
B-Employee Benefits		32,718	32,718		
C-Professional Service Contracts					
E-Goods and Other Services		24,988	24,988		
G-Travel					
J-Capital Outlays		1,700	1,700		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements		164,293	164,293	308,586	308,586
T-Intra-Agency Reimbursements					
9-					
Total \$	0	327,185	327,185	308,586	308,586

III. C - Operating FTE 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 2020	FY 2021	2019-21	2021-23	2023-25
IT APP DEVELOPMENT - SENIOR/SPECIALIST	114,984		0.9	0.5		
Total FTEs			0.9	0.5		0.0

III. D - Expenditures By Program (optional)

Program	FY 2020	FY 2021	2019-21	2021-23	2023-25
Finance Division (020)		164,293	164,293	308,586	308,586
Information Technology Division (070)		162,892	162,892		
Total \$		327,185	327,185	308,586	308,586

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

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.

Section 2(4): The Board may adopt rules to implement this section (social equity plans).

Section 5(11): Provides that the Board may adopt rules to implement the recommendations of the task force.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 2870 E 2S HB	Title: Marijuana retail licenses
----------------------------------	---

Part I: Jurisdiction—Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

☒ Cities: Potential revenue from additional marijuana retailers

☒ 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: Increase in tax revenue from greater number of retail establishments.

Estimated revenue impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Tracy Schreiber	Phone: 360-725-3126	Date: 02/21/2020
Leg. Committee Contact: Richard Rodger	Phone: (360)786-7461	Date: 02/17/2020
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/21/2020
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 02/21/2020

Part IV: Analysis

A. SUMMARY OF BILL

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

CHANGES FROM PRIOR BILL VERSION (SHB 2870)

The current version of the bill E2SHB 2870 refines language around the social equity program, defines metrics to consider in the social equity plan, refines the purpose of the Legislative Task Force on Social Equity in Marijuana, and adjusts appropriations requests. A provision is added to RCW 69.50.325 to allow the board to issue marijuana retailer licenses pursuant to the legislation.

The revenue and expenditures for local governments below have not been impacted.

SUMMARY OF CURRENT BILL (E2SHB 2870)

This legislation continues to focus the distribution of the remaining licenses within the current statewide maximum.

Section 1 refines background and contextual language concerning barriers to entry and participation in the cannabis industry. Section 1(3) strikes the intent to establish a legislative task force on marijuana social equity and instead, proposes creating a social equity program to further an equitable cannabis industry through offering services like financial and technical assistance and license application benefits to those most directly and adversely impacted by the enforcement of cannabis-related laws wishing to enter the industry.

Section 2(1) would add a start date of December 1, 2020, in addition to the end date of July 1, 2028 to issue marijuana licenses that had been subjected to forfeiture, revocation, or cancellation by the board.

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.

This legislation would not impact local government expenditures.

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.

The expenditure impact to local government is indeterminate.

Current statute requires that beginning in FY 2018, the legislature appropriated an amount equal to 30 percent of all marijuana excise taxes deposited into the general fund the prior fiscal year to distribute to counties, cities, and towns, if excise taxes in the prior fiscal year exceeded \$25 million.

The proposal would distribute up to the maximum statewide number of retail marijuana licenses, thus increasing the current operating number of retail establishments. Adding more retail licenses, specifically focused on businesses owned and operated by people of color in historically under-represented populations within retail marijuana, may also expand the retail marijuana market. The expanded number of licenses would increase marijuana-generated revenue, therefore, increased excise taxes, resulting in more revenue to cities, towns and counties.

BACKGROUND:

The LCB reports excise taxes on marijuana have well exceeded \$25 million.

Table of total excise taxes per fiscal year:

FY 2014 \$1,575

FY 2015 \$64,881,111.46

FY 2016 \$185,669,140.99

FY 2017 \$314,839,660.49

FY 2018 \$120,615,211.27

Source: Liquor and Cannabis Board

The State Auditor reports marijuana excise tax distribution by county as \$1,346,460 in 2017 and \$7,241,893 in 2018. The marijuana excise taxes distributed to cities and towns totaled \$1,244,522 in 2017 and \$7,555,989 in 2018. In total, the excise taxes distributed to

local governments were \$2,590,982 in 2017 and \$14,801,882 in 2018.

SOURCES

Washington State Liquor and Cannabis Board