

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5004 SB	<b>Title:</b> Medical marijuana tax ex.
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## Estimated Cash Receipts

Agency Name	2021-23			2023-25			2025-27		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Liquor and Cannabis Board	0	0	(5,295)	0	0	(7,442)	0	0	(7,562)
<b>Total \$</b>	<b>0</b>	<b>0</b>	<b>(5,295)</b>	<b>0</b>	<b>0</b>	<b>(7,442)</b>	<b>0</b>	<b>0</b>	<b>(7,562)</b>

## Estimated Operating Expenditures

Agency Name	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Washington State Health Care Authority	.0	0	0	(76,000)	.0	0	0	(106,000)	.0	0	0	(108,000)
Department of Revenue	.0	0	0	0	.0	0	0	0	.0	0	0	0
Liquor and Cannabis Board	.1	0	0	21,764	.2	0	0	43,528	.2	0	0	43,528
<b>Total \$</b>	<b>0.1</b>	<b>0</b>	<b>0</b>	<b>(54,236)</b>	<b>0.2</b>	<b>0</b>	<b>0</b>	<b>(62,472)</b>	<b>0.2</b>	<b>0</b>	<b>0</b>	<b>(64,472)</b>

## Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Washington State Health Care Authority	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Liquor and Cannabis Board	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Breakout

NONE

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**Date Published:**  
Revised 2/10/2021

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5004 SB	<b>Title:</b> Medical marijuana tax ex.	<b>Agency:</b> 107-Washington State Health Care Authority
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
<b>Account</b>					
Dedicated Marijuana Account-State 315-1	(25,000)	(51,000)	(76,000)	(106,000)	(108,000)
<b>Total \$</b>	(25,000)	(51,000)	(76,000)	(106,000)	(108,000)

### 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: Alia Kennedy	Phone: 360-786-7405	Date: 01/10/2021
Agency Preparation: Hanh OBrien	Phone: 360-725-1447	Date: 01/21/2021
Agency Approval: Michael Paquette	Phone: 360-725-0875	Date: 01/21/2021
OFM Review: Bryan Way	Phone: (360) 522-3976	Date: 01/21/2021

## 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.

See attached narrative

### 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.

See attached narrative

### 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.

See attached narrative

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
315-1	Dedicated Marijuana Account	State	(25,000)	(51,000)	(76,000)	(106,000)	(108,000)
<b>Total \$</b>			(25,000)	(51,000)	(76,000)	(106,000)	(108,000)

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

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts					
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services	(25,000)	(51,000)	(76,000)	(106,000)	(108,000)
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	(25,000)	(51,000)	(76,000)	(106,000)	(108,000)

**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

### IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

## Part V: New Rule Making Required

# HCA Fiscal Note

Bill Number: 5004 SB

HCA Request #: 21-19-2

## Part II: Narrative Explanation

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

Section 1 adds a new section to provide an exemption to the 37 percent excise tax for marijuana concentrates, usable and infused products for qualifying marijuana patients or designated providers who are in the statewide database and hold a recognition card.

Section 2 adds a new section to provide an effective date January 1, 2022.

### II. B - Cash Receipts Impact

This bill would exempt qualifying patients (or their designated providers) that have been issued a recognition card, from the 37% marijuana excise tax on purchases of Department of Health (DOH) compliant marijuana products (as defined in WAC 246-70), when purchased at a marijuana retailer with a medical marijuana endorsement.

The proposed legislation reduces the amount of tax revenues that is directed to the Dedicated Marijuana Account (DMA). There are appropriations from the DMA which are directed to the Health Care Authority (HCA) to carry out the activities under RCW 69.50.540, therefore the reduction of tax collection / revenue proposed in this bill would directly affect the amount of funding to HCA.

- RCW 69.50.540 (2)(a) appropriates each fiscal year a minimum of \$25,560,000 and up to 15 percent of the DMA funds for the development, implementation, maintenance, and evaluation of programs and practices aimed at the prevention or reduction of maladaptive substance use, SUD, substance abuse or substance dependence, among middle school and high school-age students, mental health services for children and youth, and services for pregnant and parenting women;
- RCW 69.50.540 (2)(e) appropriates 5 percent to be expended exclusively through contracts with community health centers to provide primary health and dental care services, migrant health services, and maternity health care services as provided under RCW 41.05.220.

HCA anticipates up to 20% less in the appropriations from the DMA directed to HCA for each of the fiscal years to carry out the activities under RCW 69.50.540.

### II. C - Expenditures

Fiscal impact.

Liquor and Cannabis Board (Board) fiscal note discusses the cash receipt impact of the excise tax exemption. Based on the data from the Board traceability system, the percentage of total marijuana sales that were sales of DOH compliant marijuana products was 0.05% during the calendar year 2020 and assumes this percentage stays constant in future years. To calculate the estimated revenue impact of the excise tax exemption, the Board utilized the Economic Revenue Forecast Council's (ERFC) most recent forecast for marijuana excise tax from November 2020. Since the bill does not take effect until January 1, 2022, the impact shown for FY22 represents six months of lost revenue. The Board makes no assumptions regarding a potential increase in sales of DOH compliant products to registered cardholders or their designated providers, or the resulting increase in revenue loss.

- FY 2022:  $496,189,392 \times .05\% / 2 = 124,048$
- FY 2023:  $508,221,607 \times .05\% = 254,111$
- FY 2024:  $523,001,065 \times .05\% = 261,500$
- FY 2025+:  $540,170,798 \times .05\% = 270,085$

# HCA Fiscal Note

Bill Number: 5004 SB

HCA Request #: 21-19-2

HCA anticipates up to 20% less in the appropriations from the DMA directed to HCA to carry out the activities under RCW 69.50.540 for substance use disorder (SUD) prevention and treatment, and community health as discussed above. Based on the cash receipt impact in the Board fiscal note, HCA estimates the fiscal impact is \$25,000 FY 2022, \$51,000 FY 2023, \$52,000 FY 2024, and \$54,000 FY2025 and on-going.

**By Object:**

Objects		FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
N	Grants, Benefits Services	(25,000)	(51,000)	(52,000)	(54,000)	(54,000)	(54,000)
<b>Total</b>		<b>(25,000)</b>	<b>(51,000)</b>	<b>(52,000)</b>	<b>(54,000)</b>	<b>(54,000)</b>	<b>(54,000)</b>

**By Fund:**

Expenditures			FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
315	Dedicated Marijuana Account	1	(25,000)	(51,000)	(52,000)	(54,000)	(54,000)	(54,000)
<b>Total</b>			<b>(25,000)</b>	<b>(51,000)</b>	<b>(52,000)</b>	<b>(54,000)</b>	<b>(54,000)</b>	<b>(54,000)</b>
<b>Biennial Total</b>				<b>(76,000)</b>		<b>(106,000)</b>		<b>(108,000)</b>

**Part IV: Capital Budget Impact**

None

**Part V: New Rule Making Required**

None

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5004 SB	<b>Title:</b> Medical marijuana tax ex.	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**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:

- 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: Alia Kennedy	Phone: 360-786-7405	Date: 01/10/2021
Agency Preparation: Van Huynh	Phone: 360-534-1512	Date: 01/12/2021
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 01/12/2021
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 01/18/2021

Request # 5004-1-1



## 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.*

This bill provides an exemption from the marijuana excise tax under RCW 69.50.535 for medical marijuana patients.

The marijuana excise tax is 37 percent of the selling price on each retail sale.

The bill is effective January 1, 2022.

### 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.*

This bill does not impact taxes or fees administered by the Department of Revenue.

### 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

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

NONE

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

NONE

### III. C - 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

None.

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

# Individual State Agency Fiscal Note

Revised

<b>Bill Number:</b> 5004 SB	<b>Title:</b> Medical marijuana tax ex.	<b>Agency:</b> 195-Liquor and Cannabis Board
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## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2022	FY 2023	2021-23	2023-25	2025-27
Dedicated Marijuana Account-State 315-1	(1,737)	(3,558)	(5,295)	(7,442)	(7,562)
<b>Total \$</b>	(1,737)	(3,558)	(5,295)	(7,442)	(7,562)

### Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.0	0.2	0.1	0.2	0.2
<b>Account</b>					
Dedicated Marijuana Account-State 315-1	0	21,764	21,764	43,528	43,528
<b>Total \$</b>	0	21,764	21,764	43,528	43,528

### 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: Alia Kennedy	Phone: 360-786-7405	Date: 01/10/2021
Agency Preparation: Thea McNally	Phone: 360-664-4552	Date: 02/10/2021
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 02/10/2021
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 02/10/2021

## 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.*

Sec. 1. (2) (a) The tax levied by subsection (1) of this section does not apply to sales, by a marijuana retailer with a medical marijuana endorsement to qualifying patients or designated providers who have been issued a recognition card, of marijuana concentrates, useable marijuana, or marijuana-infused products, identified by the department in rules adopted under RCW 69.50.375(4) in chapter 246-70 WAC as being compliant marijuana products.

(b) Each seller making exempt sales under this subsection (2) must maintain information establishing eligibility for the exemption in the form and manner required by the board.

(c) The board must provide a separate tax reporting line on the excise tax form for exemption amounts claimed under this subsection.

Sec. 2. This act takes effect January 1, 2022.

### 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.*

This bill would exempt qualifying patients, or their designated providers, that have been issued a recognition card, from the 37% marijuana excise tax on purchases of Department of Health (DOH) compliant marijuana products (as defined in WAC 246-70), when purchased at a marijuana retailer with a medical marijuana endorsement. This would take effect January 1, 2022.

Based on data from the Liquor and Cannabis Board's (Board) traceability system, the percentage of total marijuana sales that were sales of DOH compliant marijuana products to recognition cardholders was 0.0007% during the calendar year 2020. For the purpose of this fiscal note, it is assumed this percentage stays constant in future years. To calculate the estimated revenue impact of the excise tax exemption the Board utilized the Economic and Revenue Forecast Council's (ERFC) most recent forecast for marijuana excise tax from November 2020. Since the bill does not take effect until January 1, 2022, the impact shown for FY22 represents six months of lost revenue.

FY22:  $496,189,392 \times .0007\% / 2 = 1,737$

FY23:  $508,221,607 \times .0007\% = 3,558$

FY24:  $523,001,065 \times .0007\% = 3,661$

FY25+:  $540,170,798 \times .0007\% = 3,781$

The Board realizes that the amount exempted has the potential to increase as marijuana processors may be incentivized to bring new products to the market and more patients may be incentivized to obtain a recognition card and register in the database for the express purpose of benefitting from the excise tax exemption. This would in turn increase the revenue loss to the state. However, the Board makes no assumption regarding a potential increase in sales of DOH compliant products to registered cardholders or their designated provider, or the resulting increase in revenue loss.

**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.

**ENFORCEMENT:**

The LCB keeps detailed statistics on all of its enforcement activities and tracks this activity using a unit of measure called a Field Increment (FI). All direct enforcement activities such as premise checks, inspections and investigations are tracked to determine how many FI's are needed to accomplish each activity. Each FI is equivalent to 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. Using historical data to factor out indirect activities such as driving time, training, office time and leave, it has been determined that officers are available for an average of 4,220 FI's each year. Please see the attached "5004 SB Medical Marijuana Excise Tax - Enforcement Field Increment Calculator" for the workload calculations.

Based on 483 marijuana retailers, audits, complaint investigations and support and education would be conducted by the Enforcement Division requiring:

0.2 FTE LCB Enforcement Officer 2 - \$21,764/yr (\$21,210 salary/benefits, \$554 in associated costs).

**Part III: Expenditure Detail**

**III. A - Operating Budget Expenditures**

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
315-1	Dedicated Marijuana Account	State	0	21,764	21,764	43,528	43,528
<b>Total \$</b>			0	21,764	21,764	43,528	43,528

**III. B - Expenditures by Object Or Purpose**

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		0.2	0.1	0.2	0.2
A-Salaries and Wages		14,921	14,921	29,842	29,842
B-Employee Benefits		6,289	6,289	12,578	12,578
C-Professional Service Contracts					
E-Goods and Other Services		526	526	1,052	1,052
G-Travel					
J-Capital Outlays		28	28	56	56
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	0	21,764	21,764	43,528	43,528

**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 2022	FY 2023	2021-23	2023-25	2025-27
LCB Enforcement Officer 2	74,604		0.2	0.1	0.2	0.2
<b>Total FTEs</b>			0.2	0.1	0.2	0.2

**III. D - Expenditures By Program (optional)**

<b>Program</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>2021-23</b>	<b>2023-25</b>	<b>2025-27</b>
Enforcement Division (060)		21,764	21,764	43,528	43,528
<b>Total \$</b>		21,764	21,764	43,528	43,528

**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

**IV. D - Capital FTE Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

**Part V: New Rule Making Required**

Enforcement Field Increment (FI) Calculator				
5004 SB "Medical Marijuana Excise Tax"				
	Number of events	Time Factor	Staffing Factor	FI Total
Marijuana Tax Audit	3	10	1	34
Complaint Investigations Marijuana	10	20	1.3	251
License Support and Education	97	7	1	676
		40	1.3	

<b>Total FI's</b>	<b>961</b>
<b>Total Field Increments per FTE</b>	<b>4,220</b>
<b>FTE's required</b>	<b>0.23</b>
<b>Round</b>	<b>0.20</b>

INVESTIGATIONS			Number of Retailers
Marijuana Tax Audit	35%	Based on # of retailers	483
Complaint Investigations Marijuana	2%	Assumes 2% of 483 retailers would result in complaint investigations	
License Support and Education	20%	Based on # of retailers	