

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5372 E SB	<b>Title:</b> Hemp processor registration
-------------------------------	---

## 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
Department of Agriculture	Non-zero but indeterminate cost and/or savings. Please see discussion.								
<b>Total \$</b>	0	0	0	0	0	0	0	0	0

## 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
Liquor and Cannabis Board	.0	0	0	18,000	.0	0	0	18,000	.0	0	0	18,000
Department of Agriculture	.5	119,800	119,800	197,200	.5	0	0	154,800	.5	0	0	154,800
<b>Total \$</b>	0.5	119,800	119,800	215,200	0.5	0	0	172,800	0.5	0	0	172,800

## Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Liquor and Cannabis Board	.0	0	0	.0	0	0	.0	0	0
Department of Agriculture	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	0.0	0	0	0.0	0	0	0.0	0	0

## Estimated Capital Budget Breakout

NONE

--

<b>Prepared by:</b> Leslie Connelly, OFM	<b>Phone:</b> (360) 878-4371	<b>Date Published:</b> Final 3/17/2021
--	---------------------------------	---

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5372 E SB	<b>Title:</b> Hemp processor registration	<b>Agency:</b> 195-Liquor and Cannabis Board
-------------------------------	---	--

## 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	9,000	9,000	18,000	18,000	18,000
<b>Total \$</b>	9,000	9,000	18,000	18,000	18,000

### 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: Kyle Raymond	Phone: 360-786-7190	Date: 03/09/2021
Agency Preparation: Thea McNally	Phone: 360-664-4552	Date: 03/12/2021
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 03/12/2021
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 03/16/2021

## 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. The legislature intends to authorize and establish hemp processor registration and hemp extract certification necessary for entrance and compliance with interstate and international commerce and business requirements or stipulations in regard to hemp processing. A voluntary processor registration or hemp extract certification in lieu of a hemp processor license will allow persons or companies to ship transitional or final hemp products to states and countries that require a hemp processor license or registration.

Sec. 4. (3) Notwithstanding the rule-making provisions of RCW 15.140.030(2), if a marijuana producer or marijuana processor licensed by the liquor and cannabis board under chapter 69.50 RCW is engaged in producing or processing hemp at the same location for which they are licensed to produce or process marijuana, the liquor and cannabis board may test samples represented as hemp that are obtained from a location licensed for marijuana production or marijuana processing for the sole purpose of validating THC content of products represented as hemp. Any product with a delta-9 tetrahydrocannabinol concentration exceeding 0.3 percent on a dry weight basis is considered marijuana and is subject to the provisions of chapter 69.50 RCW.

### 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.

Currently, the Liquor and Cannabis Board (LCB) collects cannabis samples and submits them to the Department of Agriculture for THC level and pesticide testing.

As a result of section 4 (3) of the bill, the LCB estimates that 5 hemp samples will be collected from each of 9 marijuana producer or processors per year to validate the THC levels of product represented as hemp. The cost per test is \$200. The annual expenditure impact is estimated to be \$9,000 (5 samples x 9 locations x \$200 per test).

## 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	9,000	9,000	18,000	18,000	18,000
<b>Total \$</b>			9,000	9,000	18,000	18,000	18,000

**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	9,000	9,000	18,000	18,000	18,000
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>	9,000	9,000	18,000	18,000	18,000

**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)**

Program	FY 2022	FY 2023	2021-23	2023-25	2025-27
Enforcement Division (060)	9,000	9,000	18,000	18,000	18,000
<b>Total \$</b>	9,000	9,000	18,000	18,000	18,000

**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**

# Individual State Agency Fiscal Note

Revised

<b>Bill Number:</b> 5372 E SB	<b>Title:</b> Hemp processor registration	<b>Agency:</b> 495-Department of Agriculture
-------------------------------	---	--

## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

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

### Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.5	0.5	0.5	0.5	0.5
<b>Account</b>					
General Fund-State 001-1	119,800	0	119,800	0	0
Agricultural Local Account-Private/Local 126-7	0	77,400	77,400	154,800	154,800
<b>Total \$</b>	119,800	77,400	197,200	154,800	154,800

### 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: Kyle Raymond	Phone: 360-786-7190	Date: 03/09/2021
Agency Preparation: David Smith	Phone: 360-902-1952	Date: 03/16/2021
Agency Approval: Nicholas Johnson	Phone: (360) 902-2055	Date: 03/16/2021
OFM Review: Leslie Connelly	Phone: (360) 878-4371	Date: 03/17/2021

## 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.*

Engrossed Senate Bill 5372 intends to authorize and establish hemp processor registration and hemp extract certification necessary for entrance and compliance with interstate and international commerce and business requirements or stipulations in regard to hemp processing. A voluntary processor registration or hemp extract certification in lieu of a hemp processor license will allow persons or companies to ship transitional or final hemp products to states and countries that require a hemp processor license or registration.

The issuance of hemp extract certifications by amending RCW 69.07.010 and 69.07.020 along with the amending RCW 69.07 by the addition to Sec 5 (8), (9) and (10). Additionally amending 67.07 Sec. 7 (4) will facilitate interstate sales of hemp extracts while continuing to restrict production for intrastate sales. Rulemaking will be required to conduct stakeholder engagement for rulemaking, develop and implement the hemp extract certification program and set fees for cost recovery.

We estimate it will take at over a year to develop and implement a hemp extract certification program. Implementation will require, rulemaking for both the fee structure and certification standards, IT system development and program staff training on the new standards.

### 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.*

Requires the WSDA to establish hemp processor registration and hemp extraction certification fees in rule for an amount that will sustain the hemp program. The cash receipt impact is indeterminate at this time because that agency does not know the number of licenses that will be issued and fees will be determined during rulemaking.

Hemp processor would be the hemp regulatory account (24G). Food safety's hemp extraction would fall under local fund (126) since it falls under RCW 69.07.

At the time of implementation - Hemp Certification fees to be set by the department to cover cost of the hemp extract certification program. Using the broad assumptions known at this time, 20 users are anticipated to request initial certification for the purposes of the estimation after rulemaking is complete. (20 users x \$4,000/year/user = \$80,000/year). Program is estimating a 10% increase in certification requests FY23 onward resulting from continued development of the hemp extract industry.

### 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.*

Funding Hemp program, general fund in FY 2022 is needed for rulemaking and program start up costs. FY23 and on going, hemp processor will be sustained by account 24G and hemp extraction will be sustained by account 126.

Hemp Processor Program:

In FY2022 Hemp Processor estimates \$9,750 in Attorney General cost, this will be covered under general fund.

1. Rulemaking – 20 hours
2. Program Consultation – 20 hours
3. Enforcement – 20 hours

Hemp Extraction Program:

The program would be housed under Food Safety program.

Goods and other services includes \$19,500 in FY2022 for Attorney General Office support.

1. Rulemaking – 40 hours
2. Program Consultation – 40 hours
3. Enforcement – 40 hours

Travel, vehicle and equipment - 3 field staff with overnight stays 1 day a month annually for outreach and inspections.

One time cost for external IT system developers to implement the electronic process within the program's IT data system. (30 hours x \$200/hour = \$6,000)

Annual data System external user access (20 users x \$15.00/year = \$300.00)

FY22 - will be rulemaking including setting standards and fees for cost recovery

0.1 FTE - Program Manager

0.1 FTE - Management Analyst 5

0.3 FTE - Public Health Advisor 4 – Rulemaking Coordination and Stakeholder Outreach

FY23 – implementation of program and certification of hemp extract producers

0.1 FTE - Program Manager

0.2 FTE - Public Health Advisor 4 – Regional Manager

0.2 FTE - Food Safety Compliance Specialist 3

FY24 and ongoing - routine inspections of existing certified hemp extract processors and new certification applications

0.1 FTE - Program Manager

0.2 FTE - Public Health Advisor 4 – Regional Manager

0.2 FTE - Food Safety Compliance Specialist 3

Debt Service is computer leasing calculated at \$600 per year per person shown as object P.

Agency Administrative Overhead (payroll, HR, IT and Financial) is calculated at the agency indirect rate of 22.2% of direct program salaries and benefits.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
001-1	General Fund	State	119,800	0	119,800	0	0
126-7	Agricultural Local Account	Private/Local	0	77,400	77,400	154,800	154,800
<b>Total \$</b>			119,800	77,400	197,200	154,800	154,800

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

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.5	0.5	0.5	0.5	0.5
A-Salaries and Wages	42,500	37,600	80,100	75,200	75,200
B-Employee Benefits	15,900	15,000	30,900	30,000	30,000
C-Professional Service Contracts					
E-Goods and Other Services	41,300	6,000	47,300	12,000	12,000
G-Travel	6,800	6,800	13,600	13,600	13,600
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service	300	300	600	600	600
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-Agency Administrative Overhead	13,000	11,700	24,700	23,400	23,400
<b>Total \$</b>	119,800	77,400	197,200	154,800	154,800

### 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
Food Safety Compliance Specialist 3	72,756		0.2	0.1	0.2	0.2
Management Analyst 5	88,644	0.1		0.1		
Program Manager	96,600	0.1	0.1	0.1	0.1	0.1
Public Health Advisor 4	80,292	0.3	0.2	0.3	0.2	0.2
<b>Total FTEs</b>		0.5	0.5	0.5	0.5	0.5

### 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**

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

Rulemaking is required to implement requirements for the Hemp Extract Certification Program added to RCW 69.07 including stakeholder engagement, setting fees and conditions for the certification.

Rulemaking is required to implement requirements for the Hemp Processor Registration added to RCW 15.140 including stakeholder engagement, setting fees and conditions for the registration.