

Individual State Agency Fiscal Note

Bill Number: 1668 HB	Title: An act relating to expanding regulatory authority over cannabinoids that may be impairing and providing for enhanced product safety and consumer information disclosure about marijuana products	Agency: 195-Liquor and Cannabis Board
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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
FTE Staff Years	0.0	2.0	1.0	2.0	2.0
Account					
Dedicated Marijuana Account-State 315-1	0	278,370	278,370	491,740	491,740
Total \$	0	278,370	278,370	491,740	491,740

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: 01/10/2022
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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.

This bill authorizes the Liquor and Cannabis Board (Board) to regulate all cannabinoids that may be impairing, regardless of origin, and to direct the Board to adopt rules related to cannabinoid products and cannabis isolates, except those authorized as a drug by the federal Food and Drug Administration.

Section 2c: creates a definition of "artificial cannabinoid", which (in brief summary) is a solely chemically created substance that does not originate from the cannabis plant but is structurally the same or substantially similar. but is not listed as a controlled substance by the Washington state controlled substances act. These do not include :

- 1) naturally occurring chemical substances that is separated from the cannabis plant
- 2) Cannabinoids produced by decarboxylation from a naturally occurring cannabinoid acid without use of a chemical catalyst
- 3) Any other chemical substance resembling in any manner a compound found in the cannabis plant that is identified by the Washington State Liquor and Cannabis Board ("Board") in consultation with the Department of Health.

Section 2h: redefines CBD product to narrow it to only cannabidiol not exceeding 0.3% THC, and not more than 0.5mg per serving or 2mg total in the package product of a cannabinoid.

Section 2ff: modifies the definition of "marijuana."

Section 2 also creates or modifies definitions for cannabinoid, catalyst, distillate, extract, extraction, isolate, hemp (among other changes).

Section 3(1): Products containing or consisting of cannabinoids produced and processed for any type of consumption into a human body, whether marketed as such or not, exceeding 0.3 percent THC on a dry weight basis, that contains more than 0.5 milligrams per serving or 2 milligrams total in the packaged product of a cannabinoid which may be impairing, may only be sold by a marijuana producer, marijuana processor, or marijuana retailer licensed by the Board unless authorized as a drug by the federal food and drug administration.

Section 3(2): Sale of products identified in subsection (1) of this section is prohibited unless conducted by a business holding a valid marijuana producer, marijuana processor or marijuana retailer license issued by the Board.

Section 3(8): Manufacturing and sales of artificial cannabinoids is prohibited.

Section 5(1): Licensed cannabis producers and processors may use CBD, or other non-impairing cannabinoids, or non-impairing cannabis plant isolate for the purpose of enhancing the non-impairing cannabinoid concentration of any product

authorized for production, processing, and sale under this chapter.

Section 5(4): Licensed marijuana producers and licensed marijuana processors may not use any artificial cannabinoids, as defined in this chapter, as an additive to any product authorized for production, processing, and sale under this chapter.

Section 5(5): Licensed marijuana producers and licensed marijuana processors must disclose on packaging and labeling all synthetically derived cannabinoids contained in products and may not make any statements or claims indicating those cannabinoids are a natural substance.

Section 5(6): The Board must revise rules as appropriate to conform to the terminology described in this act.

Section 6: The Board may adopt rules regarding the production, processing, transportation, delivery, sale, and purchase of naturally, or synthetically derived, cannabinoids, with the exception of hemp as defined in RCW 15.140.020, and products authorized as a drug by the federal food and drug administration.

Section 8: This act takes effect July 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 .

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 .

DIRECTOR'S OFFICE (BOARD DIVISION)

The agency anticipates significant additional ongoing rulemaking as a result of this legislation, requiring 1 additional Regulatory Analyst 3 (RA3).

1.0 FTE Regulatory Analyst 3 - \$126,140/yr (\$123,370 salary/benefits, \$2,770 in associated costs). Onetime costs in FY23 of \$6,105 for equipment purchases.

ENFORCEMENT DIVISION:

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, i has been determined that officers are available for an average of 4,220 FI’s each year.

Based on the attached analysis "1668 HB Expanding Regulatory Authority over Cannabinoids - Enforcement Field Increment Calculator.pdf", the agency will need 1 additional LCB Enforcement Officer 2 (LEO2).

1.0 FTE LCB Enforcement Officer 2 - \$119,330/yr (\$103,470 salary/benefits, \$15,860 in associated costs). Onetime costs in FY23 of \$26,395 for equipment purchases.

There will also be costs for testing product samples, estimated at \$400 /year.

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	278,370	278,370	491,740	491,740
Total \$			0	278,370	278,370	491,740	491,740

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		2.0	1.0	2.0	2.0
A-Salaries and Wages		167,736	167,736	335,472	335,472
B-Employee Benefits		59,104	59,104	118,208	118,208
C-Professional Service Contracts					
E-Goods and Other Services		20,410	20,410	14,780	14,780
G-Travel		15,160	15,160	22,320	22,320
J-Capital Outlays		15,960	15,960	960	960
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	0	278,370	278,370	491,740	491,740

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		1.0	0.5	1.0	1.0
Regulatory Analyst 3	93,132		1.0	0.5	1.0	1.0
Total FTEs			2.0	1.0	2.0	2.0

III. D - Expenditures By Program (optional)

Program	FY 2022	FY 2023	2021-23	2023-25	2025-27
Board Division (010)		132,245	132,245	252,280	252,280
Enforcement Division (060)		146,125	146,125	239,460	239,460
Total \$		278,370	278,370	491,740	491,740

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 .

Section 5(6): The Board must revise rules as appropriate to conform to the terminology described in this act.

Section 6: The Board may adopt rules regarding the production, processing, transportation, delivery, sale, and purchase of

naturally, or synthetically derived, cannabinoids, with the exception of hemp as defined in RCW 15.140.020, and products authorized as a drug by the federal food and drug administration.

Enforcement Field Increment (FI) Calculator				
1668 HB "Marijuana Products" (Expanding Regulatory Authority over Cannabinoids)				
Event	Number of events	Time Factor	Staffing Factor	FI Total
Cannabis Premises Checks (Retail/Non-Retail)	96	10	1.00	958
Cannabis Complaint Investigations (Non-Retail)	43	25	1.30	1,397
Licensee Support and Education (Non-Retail)	287	7	1.00	2,006
Licensee Support and Education (Retail)	48	7	1.00	338
Complex Investigations	4	40	1.30	208
Sampling	2	5	1.30	13

Total FI's	4,920
Total Field Increments per FTE	4,220
FTE's required	1.17
Round	1.00

Cost Factors	Frequency
Cannabis Retailers	483
Cannabis Producer/Processors	1,433
Cannabis Premises Checks (Retail/Non-Retail)	5%
Cannabis Complaint Investigations (Non-Retail)	3%
Licensee Support and Education (Non-Retail)	20%
Licensee Support and Education (Retail)	10%
Complex Investigations (% of complaints)	10%
Sampling (annually)	2
# of lab tests (annually)	2
Cost per lab test (product)	\$200 per test



Ten-Year Analysis

Bill Number 1668 HB	Title An act relating to expanding regulatory authority over cannabinoids that may be impairing and providing for enhanced product safety and consumer information disclosure about marijuana products	Agency 195 Liquor and Cannabis Board
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

No Cash Receipts

 Partially Indeterminate Cash Receipts

 Indeterminate Cash Receipts

Name of Tax or Fee	Acct Code											

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