

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5767 SB	<b>Title:</b> Hemp-derived cannabinoids
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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
Office of Attorney General	0	0	43,000	0	0	34,000	0	0	34,000
<b>Total \$</b>	<b>0</b>	<b>0</b>	<b>43,000</b>	<b>0</b>	<b>0</b>	<b>34,000</b>	<b>0</b>	<b>0</b>	<b>34,000</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
Office of Attorney General	.1	0	0	43,000	.1	0	0	34,000	.1	0	0	34,000
Office of Administrative Hearings	.0	0	0	0	.0	0	0	0	.0	0	0	0
Liquor and Cannabis Board	2.5	0	0	627,337	5.0	0	0	1,130,824	5.0	0	0	1,130,824
Washington State Patrol	.0	1,655,000	1,655,000	1,655,000	.0	254,000	254,000	254,000	.0	254,000	254,000	254,000
Department of Health	.1	0	0	17,000	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>2.7</b>	<b>1,655,000</b>	<b>1,655,000</b>	<b>2,342,337</b>	<b>5.1</b>	<b>254,000</b>	<b>254,000</b>	<b>1,418,824</b>	<b>5.1</b>	<b>254,000</b>	<b>254,000</b>	<b>1,418,824</b>

## Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of Attorney General	.0	0	0	.0	0	0	.0	0	0
Office of Administrative Hearings	.0	0	0	.0	0	0	.0	0	0
Liquor and Cannabis Board	.0	0	0	.0	0	0	.0	0	0
Washington State Patrol	.0	0	0	.0	0	0	.0	0	0
Department of Health	.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

<b>Prepared by:</b> Cheri Keller, OFM	<b>Phone:</b> (360) 584-2207	<b>Date Published:</b> Final 1/26/2022
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5767 SB	<b>Title:</b> Hemp-derived cannabinoids	<b>Agency:</b> 100-Office of Attorney General
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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
Legal Services Revolving Account-State 405-1	13,000	30,000	43,000	34,000	34,000
<b>Total \$</b>	13,000	30,000	43,000	34,000	34,000

### Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.1	0.2	0.2	0.1	0.1
<b>Account</b>					
Legal Services Revolving Account-State 405-1	13,000	30,000	43,000	34,000	34,000
<b>Total \$</b>	13,000	30,000	43,000	34,000	34,000

### 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: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/11/2022
Agency Preparation: Amy Flanigan	Phone: 509-456-3123	Date: 01/14/2022
Agency Approval: Merdan Bazarov	Phone: 360-586-9346	Date: 01/14/2022
OFM Review: Tyler Lentz	Phone: (360) 790-0055	Date: 01/20/2022

## 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 is related to regulating hemp-derived cannabinoids; amending RCW 69.50.101, 69.50.325, 69.50.326, and 69.50.363; reenacting and amending RCW 69.50.101; adding a new section to chapter 69.50 RCW; creating a new section; providing an effective date; providing an expiration date; and declaring an emergency.

Section 1 – new section – intent of this bill is to provide consumers with legal access to safe products in the regulated cannabis market, this will include accurate labeling of products.

Sections 2 and 3 amend RCW 69.50.101 – definition section – defines several new terms.

Section 4 amends RCW 69.50.325 – provides for licensed marijuana processors to process cannabinoids in accordance with the statutes.

Section 5 amends RCW 69.50.326 – provides for licensed marijuana processors to process hemp and hemp derivatives when processing marijuana products within stated guidelines and setting forth disclosure requirements to the consumer. This section also provides for rule making.

Section 6 amends RCW 69.50.363 – legalizes the use possession, processing, packaging, delivery, distribution and sale of hemp and hemp derivatives.

Section 7 – new section to chapter 69.50 RCW – enacts product testing requirements.

Section 8 – new section – Sections 1, 2, 4, and 7 are necessary for immediate preservation of the public peace, health, or safety.

Section 9 – new section – Section 2 expires 07/01/2022.

Section 10 – new section – Section 3 takes effect 07/01/2022.

### 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.*

Cash receipts are assumed to equal the Legal Services Revolving Account (LSRA) cost estimates. These will be billed through the revolving account to the client agency.

The client agency is the Liquor and Cannabis Board. The Attorney General's Office (AGO) will bill all clients for legal services rendered.

These cash receipts represent the AGO's authority to bill and are not a direct appropriation to the AGO. The direct appropriation is reflected in the client agencies' fiscal note. Appropriation authority is necessary in the AGO budget.

### 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 Attorney General's Office (AGO) Agency Assumptions:

The enactment of this bill will not impact the provision of legal services to the AGO's Agriculture and Health Division (AHD) because it is unlikely to result in any requests for legal services to the Department of Health (DOH). Any incidental legal advice provided to DOH on the bill's changes to cannabis statutes are assumed to be nominal and below 90 Assistant Attorney General (AAG) hours per Fiscal Year (FY). Therefore, costs are not included in this request.

The AGO's Government Compliance and Enforcement (GCE) division litigates licensing and enforcement actions for the Liquor and Cannabis Board (LCB). This bill would regulate the processing and use of naturally occurring hemp-derived cannabinoids from the Cannabis sativa L. plant by licensed marijuana processors. Section 7 would impose testing standards on all producers, processors, and certified labs. The testing standards required under this bill would be much more robust than what is currently required for marijuana testing. There are a limited number of certified labs conducting marijuana testing in Washington State, and LCB currently experiences approximately one enforcement action against a certified lab each biennium. Under this bill, the volume of testing would also increase and testing availability likely will not align with industry need, resulting in the sale of untested product. As a result, GCE assumes to receive five new enforcement referrals each FY relating to the testing and that four of the five would result in litigation. The GCE further assumes that most of these cases would be resolved on summary judgment. Therefore, beginning in FY 2023 and continuing each FY thereafter, GCE assumes that each case would utilize approximately 20 AAG hours, for a total annual increase of 80 AAG hours. The GCE also assumes that each FY this new work would utilize 20 Paralegal 2 (PL2) hours.

Therefore, as a result of this bill, GCE assumes to see a total FTE increase in AAG and PL hours as follows (non-Seattle rate):

- FY 2023: 0.04 AAG, 0.01 PL2, 0.02 Legal Assistant 3 (LA3), and 0.01 Management Analyst 5 (MA5)
- FY 2024: 0.04 AAG, 0.01 PL2, 0.02 LA3, and 0.01 MA5
- FY 2025: 0.04 AAG, 0.01 PL2, 0.02 LA3, and 0.01 MA5
- FY 2026: 0.04 AAG, 0.01 PL2, 0.02 LA3, and 0.01 MA5
- FY 2027: 0.04 AAG, 0.01 PL2, 0.02 LA3, and 0.01 MA5

The AGO's Licensing and Administrative Law (LAL) division assumes the following impact:

- The LAL will bill LCB for legal services based on the enactment of this bill.
- Sections 1, 2, 5, and 7 of this bill are likely to require client rulemaking, which will require substantial subject matter expertise that will likely occur in FY 2022 and FY 2023.
- Section 8 of the bill makes all sections which will impose rule-making requirements effective immediately, and thus will likely require immediate rulemaking during FY 2022.
- Additional rulemaking is likely to be required in FY 2023.
- GCE projects four new enforcement litigation matters beginning in FY 2023 and continuing each FY thereafter. LAL projects that each litigation matter brought by GCE will require 10 hours of AAG time on final order advice. Therefore, beginning in FY 2023 and continuing each FY thereafter, LAL projects 40 hours of AAG time needed for final order advice.

Therefore, as a result of this bill, LAL assumes to see a total FTE increase in AAG and PL hours as follows (Seattle-rate):

- FY 2022: 0.05 AAG, 0.03 LA3, and 0.01 MA5
- FY 2023: 0.07 AAG, 0.04 LA3, and 0.01 MA5
- FY 2024: 0.02 AAG and 0.01 LA3
- FY 2025: 0.02 AAG and 0.01 LA3
- FY 2026: 0.02 AAG and 0.01 LA3
- FY 2027: 0.02 AAG and 0.01 LA3

Below is the total AGO's GCE and LAL divisions and administration support staffing assumptions (Seattle and non-Seattle)

rates). Please see FTE details in III. C - Operating FTE Detail :

- FY 2022: 0.05 AAG, 0.03 LA3, and 0.01 MA5
- FY 2023: 0.11 AAG, 0.01 PL2, 0.06 LA3, and 0.02 MA5
- FY 2024: 0.06 AAG, 0.01 PL2, 0.03 LA3, and 0.01 MA5
- FY 2025: 0.06 AAG, 0.01 PL2, 0.03 LA3, and 0.01 MA5
- FY 2026: 0.06 AAG, 0.01 PL2, 0.03 LA3, and 0.01 MA5
- FY 2027: 0.06 AAG, 0.01 PL2, 0.03 LA3, and 0.01 MA5

### Part III: Expenditure Detail

#### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
405-1	Legal Services Revolving Account	State	13,000	30,000	43,000	34,000	34,000
<b>Total \$</b>			13,000	30,000	43,000	34,000	34,000

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

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.1	0.2	0.2	0.1	0.1
A-Salaries and Wages	9,000	20,000	29,000	22,000	22,000
B-Employee Benefits	3,000	7,000	10,000	8,000	8,000
C-Professional Service Contracts					
E-Goods and Other Services	1,000	3,000	4,000	4,000	4,000
G-Travel					
J-Capital Outlays					
<b>Total \$</b>		13,000	30,000	43,000	34,000

#### 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*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Assistant Attorney General	112,200		0.0	0.0	0.0	0.0
Assistant Attorney General - Seattle	117,816	0.1	0.1	0.1	0.0	0.0
Legal Assistant 3	54,108		0.0	0.0	0.0	0.0
Legal Assistant 3 - Seattle	66,876	0.0	0.0	0.0	0.0	0.0
Management Analyst 5	88,644	0.0	0.0	0.0	0.0	0.0
Paralegal 2	69,264		0.0	0.0	0.0	0.0
<b>Total FTEs</b>			0.1	0.2	0.2	0.1

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

Program	FY 2022	FY 2023	2021-23	2023-25	2025-27
Government Compliance & Enforcement Division (GCE)		12,000	12,000	24,000	24,000
Licensing & Administrative Law Division (LAL)	13,000	18,000	31,000	10,000	10,000
<b>Total \$</b>		13,000	30,000	43,000	34,000

### 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> 5767 SB	<b>Title:</b> Hemp-derived cannabinoids	<b>Agency:</b> 110-Office of Administrative Hearings
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## 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.

<b>Legislative Contact:</b> Matthew Shepard-Koningsor	<b>Phone:</b> 360-786-7627	<b>Date:</b> 01/11/2022
<b>Agency Preparation:</b> Pete Boeckel	<b>Phone:</b> 360-407-2730	<b>Date:</b> 01/20/2022
<b>Agency Approval:</b> Deborah Feinstein	<b>Phone:</b> 360-407-2717	<b>Date:</b> 01/20/2022
<b>OFM Review:</b> Tyler Lentz	<b>Phone:</b> (360) 790-0055	<b>Date:</b> 01/20/2022



## 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.*

No fiscal impact. This legislation will not measurably increase the appeal workload for the Office of Administrative Hearings.

### 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.*

None

## 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

**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

<b>Bill Number:</b> 5767 SB	<b>Title:</b> Hemp-derived cannabinoids	<b>Agency:</b> 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	5.0	2.5	5.0	5.0
<b>Account</b>					
Dedicated Marijuana Account-State 315-1	13,000	614,337	627,337	1,130,824	1,130,824
<b>Total \$</b>	13,000	614,337	627,337	1,130,824	1,130,824

### 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: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/11/2022
Agency Preparation: Thea McNally	Phone: 360-664-4552	Date: 01/14/2022
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 01/14/2022
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/15/2022

## 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 intends to create a robust regulatory framework for naturally occurring cannabinoids found in the cannabis plant while allowing continued innovation in the regulated market.

Sections 2 and 3 adds definitions to RCW 69.50.101 for the different delta variants (Delta 7, Delta 8, Delta 9, Delta 10), artificial cannabinoid, cannabinoid, impairing cannabinoid, naturally occurring cannabinoid, and plant Cannabis.

Sec. 5 (1) Licensed marijuana processors may use and process hemp and hemp derivatives obtained in accordance with this section to use or derive cannabinoids to add to any marijuana product authorized for production, processing, and sale under this chapter.

Sec. 6. (5) would allow for use, possession, processing, packaging, labeling, delivery, distribution, and sale of hemp and hemp derivatives by a licensed marijuana processor of their employee.

Sec. 7. (1) adds a new section to RCW 69.50 that requires all marijuana producers, processors, certified labs, and certified lab employees to comply with the testing requirements outlined in this section.

Sec. 8. states sections 1, 2, and 4 through 7 of this act are necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and take effect immediately.

Sec. 9. states section 2 of this act expires July 1, 15 2022. (Definitions section )

Sec. 10. states section 3 of this act takes effect July 17, 2022. (Section 3 is substantially similar to section 2.)

### 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.*

#### 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, it has been determined that officers are available for an average of 4,220 FI's each year. Workload impacts resulting from this bill are expected to be from premises checks, inventory audits, licensee support and education, and complaint investigations. Please see the attached "5767 SB Hemp-Derived Cannabinoids" field increment calculator for workload calculations.

2023 2.0 FTE Administrative Regulations Analyst 3 - \$209,792/yr (\$198,632 salary/benefits, \$11,160 in associated costs).  
Onetime costs in FY22 of \$17,610 for equipment purchases.

2024+ 2.0 FTE Administrative Regulations Analyst 3 - \$209,792/yr (\$198,632 salary/benefits, \$11,160 in associated costs).

2023 2.0 FTE LCB Enforcement Officer 2 - \$212,480/yr (\$206,940 salary/benefits, \$5,540 in associated costs). Onetime costs in FY22 of \$12,210 for equipment purchases.

2024+ 2.0 FTE LCB Enforcement Officer 2 - \$212,480/yr (\$206,940 salary/benefits, \$5,540 in associated costs).

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**BOARD DIVISION:**

The bill is highly technical and would require LCB to create new rules that :

- Creates multiple definitions for words and terms throughout the bill, such as “natural” and “naturally occurring,” “structural backbone;”
- Establish a framework in rule to assess and review product labels containing hemp, COA (certificates of analysis issued by labs concerning product purity, potency, etc.), and product disclosures. All of these things, particularly as they relate to hemp-derived products, are still unsettled science, so rule development will be tedious and ongoing.
- Establish a framework to ensure the safety and purity of hemp and hemp derivatives.

The additional workload from rulemaking will require a new Regulatory Analyst 3 with estimated costs of :

2023 1.0 FTE Regulatory Analyst 3 - \$126,140/yr (\$123,370 salary/benefits, \$2,770 in associated costs). Onetime costs in FY22 of \$6,105 for equipment purchases.

2024+ 1.0 FTE Regulatory Analyst 3 - \$126,140/yr (\$123,370 salary/benefits, \$2,770 in associated costs).

Additionally, the WA State Attorney General's Office (AGO) anticipates billing the agency for legal work that would arise from this bill as follows:

- FY2022 – \$13,000
- FY2023 – \$30,000
- FY2024+ – \$17,000

**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	13,000	614,337	627,337	1,130,824	1,130,824
<b>Total \$</b>			13,000	614,337	627,337	1,130,824	1,130,824

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

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		5.0	2.5	5.0	5.0
A-Salaries and Wages		387,852	387,852	775,704	775,704
B-Employee Benefits		141,090	141,090	282,180	282,180
C-Professional Service Contracts					
E-Goods and Other Services	13,000	43,295	56,295	59,540	59,540
G-Travel		6,000	6,000	12,000	12,000
J-Capital Outlays		36,100	36,100	1,400	1,400
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	13,000	614,337	627,337	1,130,824	1,130,824

**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
Administrative Regulations Analyst 3	72,756		2.0	1.0	2.0	2.0
LCB Enforcement Officer 2	74,604		2.0	1.0	2.0	2.0
Regulatory Analyst 3	93,132		1.0	0.5	1.0	1.0
<b>Total FTEs</b>			5.0	2.5	5.0	5.0

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

Program	FY 2022	FY 2023	2021-23	2023-25	2025-27
Board Division (010)	13,000	162,245	175,245	286,280	286,280
Enforcement Division (060)		452,092	452,092	844,544	844,544
<b>Total \$</b>	13,000	614,337	627,337	1,130,824	1,130,824

**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 .*

The bill is highly technical and would require LCB to create new rules that :

- Creates multiple definitions for words and terms throughout the bill, such as “natural” and “naturally occurring,” “structural

backbone;”

- Establish a framework in rule to assess and review product labels containing hemp, COA (certificates of analysis issued by labs concerning product purity, potency, etc.), and product disclosures. All of these things, particularly as they relate to hemp-derived products, are still unsettled science, so rule development will be tedious and ongoing.
- Establish a framework to ensure the safety and purity of hemp and hemp derivatives.

**Enforcement Field Increment (FI) Calculator**

**5767 SB "Hemp-Derived Cannabinoids"**

Event	# of events	Time Factor	Staffing Factor	FI Total	Officer	Consultant
Cannabis Premises Check (Non-Retail)	464	10	1.3	6,031	1,990	4,041
Cannabis Inventory Audits	41	60	2.5	6,206	2,048	4,158
Tobacco/Vapor products Premises checks	541	2	1.3	1,406	1,406	
OTP (Other Tobacco Products) Audit	162	7	1	1,136	1,136	
Non RVP* Member Support and Education (cannabis)	41	7	1	290	96	194
Complaint Investigations Non Retail Cannabis	30	60	1.3	2,340	2,340	
Non RVP* Member Support and Education (Tobacco/vapor products)	162	7	1	1,136	1,136	
<b>Total FI's</b>				<b>18,544</b>	<b>10,151</b>	<b>8,393</b>
<b>Total Field Increments per FTE</b>				4,220	4,220	4,220
<b>FTE's required</b>				4.39	2.41	1.99
<b>Round</b>				<b>4.00</b>	<b>2.00</b>	<b>2.00</b>

Factors	Values
Cannabis Premises Check (Non-Retail) average number over last 3 years	3093
Number of Cannabis Producers	1379
Number of Tobacco/Vape Retailers	5408
Cannabis Premises Check (Non-Retail)	15%
Cannabis Inventory Audits	3%
Tobacco/Vapor products Premises checks	10%
OTP (Other Tobacco Products) Audit	3%
Complaint Investigations Non Retail Cannabis	30
Non RVP* Member Support and Education	3%
Premise checks performed by Officer	33%
Premise checks performed by Consultant	67%

\*RVP = Responsible Vendor Program



# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5767 SB	<b>Title:</b> Hemp-derived cannabinoids	<b>Agency:</b> 225-Washington State Patrol
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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>					
General Fund-State 001-1	0	1,655,000	1,655,000	254,000	254,000
<b>Total \$</b>	0	1,655,000	1,655,000	254,000	254,000

### 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: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/11/2022
Agency Preparation: Yvonne Ellison	Phone: 360-596-4042	Date: 01/24/2022
Agency Approval: Walter Hamilton	Phone: 360-596-4046	Date: 01/24/2022
OFM Review: Ruth Roberson	Phone: (360) 995-3826	Date: 01/24/2022

## 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 proposed legislation does not directly change any duties or responsibilities of the Washington State Patrol (WSP), however, it makes changes to definitions and licensed activities that are expected to result in changes to evidentiary standards. This will have a fiscal impact to the WSP.

Changes with potential impact to the WSP include the following :

Sections 2 and 3 amend definitions for cannabinoids in RCW 69.50.101, including for ;

Delta-7 THC,  
Delta-8 THC,  
Delta-9 THC,  
Delta-10 THC,  
Artificial cannabinoid,  
Naturally occurring cannabinoid, and  
Impairing cannabinoid

Section 5 (1) adds language to RCW 69.50.326 to allow licensed marijuana processors to use hemp and hemp derivatives to derive cannabinoids to add to any marijuana product authorized for production, processing, and sale.

Section 5 (2) allows the use of hemp and hemp derivatives obtained from a source not licensed by the Liquor and Cannabis Board (LCB) provided they have a THC concentration of 0.3 percent or less on a dry weight basis, excluding in-process hemp; are accompanied by a certificate of analysis; and were produced by a licensed hemp producer, handler, or processor in a state or country with a legal status and product safety protocols or any other plan or program authorized by the federal Department of Agriculture (USDA); a federally recognized Indian Tribe with an approved USDA hemp plan or pilot program; or a producer or supplier in compliance with any future federal or state hemp program or in compliance with laws regarding the manufacture or importation of food in the United States.

Section 5 (4) states that artificial cannabinoids may not be used, processed, or sold by any person.

Section 6 (5) authorizes use, possession, processing, packaging, labeling, delivery, distribution, and sale of hemp and hemp derivatives in accordance with RCW 69.50.366.

New Section 7 adds testing requirements that all marijuana producers, processors, certified labs, and certified lab employees must comply with.

New Section 8 states that sections 1, 2, and 4 through 7 take effect immediately

New Section 9 states that section 2 expires July 1, 2022

New Section 10 states that section 3 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.*

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 .*

We assume that our Crime Laboratory Division (CLD) will need to provide evidence testing that meets the new definitions and requirements of the proposed legislation. In order to accomplish this, the CLD will need to acquire new Liquid Chromatography-Mass Spectrometry (LC/MS) instruments capable of conducting the more detailed analysis required. It will also be necessary to develop and validate new testing protocols for the new instruments and then train staff on these protocols. We expect the development of these new protocols to require two scientists 22 weeks to complete. This will be done by current staff, but as they will not be performing normal testing during this time we expect it to result in an increased need for overtime by other staff of approximately 2,320 hours in the first year. We also expect the new testing protocols to result in an increase of approximately 30 percent to the current per case processing time. Based on this, we expect to have an ongoing need of approximately 386 hours of overtime for the increase in testing time. Other expected costs include an increase in the cost of the consumable supplies needed to conduct the testing, and maintenance costs for the new instruments.

Funding for these costs are currently included in the governor's budget based on rule changes requested by the LCB regarding regulatory authority over cannabinoids in Z-0334.2. If those rule changes are not approved and the funding is removed, we will need these costs to be funded in association with this legislation in order to provide the level of testing that will be required.

Our estimated costs are shown below.

### First Year costs:

\$1,350,000 – 3-Liquid Chromatography-Mass Spectrometry (LC/MS) Instruments at \$450,000 ea.  
\$155,000 – Overtime Salaries  
\$45,000 – Overtime Benefits  
\$30,000 – Testing Consumables (increased for development and validation of testing protocols )  
\$3,000 – Travel (for training)  
\$72,000 – Agency Indirect Costs

### Ongoing annual costs:

\$26,000 – Overtime Salaries  
\$8,000 – Overtime Benefits  
\$14,000 – Testing Consumables  
\$57,000 – LC/MS Annual Maintenance (starting second year)  
\$22,000 – Agency Indirect Costs

\$1,655,000 – Total First Year Costs

\$127,000 – Total Ongoing Costs

We based estimated overtime salary expenditures on current levels for a Forensic Scientist 3 per published salary schedules. We computed estimated benefits expenditures based on federal or state mandated rates plus state provided amounts for health insurance and workers' compensation insurance. We assume that any increases in these rates or amounts will be covered by legislation establishing the increase.

We base our indirect cost rate on our negotiated federal rate of 30.84%. We calculate this rate on all categories of expenditures except capitalized equipment, and contracted services over \$25,000. The rate represents the agency's administrative support costs associated with this proposed legislation. Support costs include, but are not limited to, items such as computer and telecommunications support; payroll processing; vendor payments; contract administration; ordering,

accounting for and distribution of supplies; and human resource services.

### 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	0	1,655,000	1,655,000	254,000	254,000
<b>Total \$</b>			0	1,655,000	1,655,000	254,000	254,000

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

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years					
A-Salaries and Wages		155,000	155,000	52,000	52,000
B-Employee Benefits		45,000	45,000	16,000	16,000
C-Professional Service Contracts				114,000	114,000
E-Goods and Other Services		30,000	30,000	28,000	28,000
G-Travel		3,000	3,000		
J-Capital Outlays		1,350,000	1,350,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-Agency Indirect Costs		72,000	72,000	44,000	44,000
<b>Total \$</b>	0	1,655,000	1,655,000	254,000	254,000

**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**

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5767 SB	<b>Title:</b> Hemp-derived cannabinoids	<b>Agency:</b> 303-Department of Health
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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	0.1	0.1	0.0	0.0
<b>Account</b>					
Health Professions Account-State 02G-1	0	17,000	17,000	0	0
<b>Total \$</b>	0	17,000	17,000	0	0

### 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: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 01/11/2022
Agency Preparation: Donna Compton	Phone: 360-236-4538	Date: 01/19/2022
Agency Approval: Alisa Weld	Phone: (360) 236-2907	Date: 01/19/2022
OFM Review: Breann Boggs	Phone: (360) 485-5716	Date: 01/20/2022

## 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.

Sections 2 and 3: Amends RCW 69.50 (Uniformed Controlled Substances Act) adding definitions for artificial cannabinoid, cannabinoid, and related substances.

### 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.

Current law, RCW 43.70.250 (License fees for professions, occupations, and businesses), requires the department to charge a fee to generate sufficient revenue to fully support the costs of administering its programs. Programs must be fully self-supporting and sufficient revenue must be collected through fee increases to fund expenditures. As of July 1, 2021, the Pharmacy Quality Assurance Commission (Commission) has sufficient fund balance to cover the costs to implement this bill. The Department of Health will monitor the fund over a 6-year period and will adjust fees as needed to ensure that the fees are sufficient to cover all program expenses.

### 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.

#### Rulemaking

Sections 2 and 3: The Commission will adopt rules to align terms used in the cannabinoid-related drug schedules in WAC 246-945-051 (Schedule I) and distinguish between synthetic and artificial cannabinoids. There will be one-time costs for rulemaking in fiscal year (FY) 2023. Rulemaking will consist of two stakeholder meetings, and a formal rules hearing held in free facilities. This will allow stakeholders and licensees to participate and provide comments during the rulemaking process. Costs include staff-time and Office of the Attorney General support in the amount of \$4,100. Total one-time costs in FY 2023 are 0.10 FTE and \$17,000 (02G).

Total costs to implement this bill:

FY 2023: 0.10 FTE and \$17,000 (02G)

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
02G-1	Health Professions Account	State	0	17,000	17,000	0	0
<b>Total \$</b>			0	17,000	17,000	0	0

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

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		0.1	0.1		
A-Salaries and Wages		8,000	8,000		
B-Employee Benefits		2,000	2,000		
C-Professional Service Contracts					
E-Goods and Other Services		6,000	6,000		
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		1,000	1,000		
9-					
<b>Total \$</b>	0	17,000	17,000	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 2022	FY 2023	2021-23	2023-25	2025-27
HEALTH SERVICES CONSULTANT 4	80,292		0.1	0.1		
<b>Total FTEs</b>			0.1	0.1		0.0

**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 .*

Sections 2 and 3: The Commission will adopt rules in WAC 246-945-051 necessary to implement this bill.