

Multiple Agency Fiscal Note Summary

Bill Number: 1668 S HB	Title: Marijuana products
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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	46,000	0	0	50,000	0	0	22,000
Total \$	0	0	46,000	0	0	50,000	0	0	22,000

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	.2	0	0	46,000	.2	0	0	50,000	.1	0	0	22,000
Office of Administrative Hearings	.0	0	0	0	.0	0	0	0	.0	0	0	0
Liquor and Cannabis Board	1.0	0	0	324,370	2.0	0	0	541,740	2.0	0	0	513,740
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	23,000	.0	0	0	7,000	.0	0	0	0
Total \$	1.3	1,655,000	1,655,000	2,048,370	2.2	254,000	254,000	852,740	2.1	254,000	254,000	789,740

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
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Revised 2/ 4/2022
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Individual State Agency Fiscal Note

Bill Number: 1668 S HB	Title: Marijuana products	Agency: 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		46,000	46,000	50,000	22,000
Total \$		46,000	46,000	50,000	22,000

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.0	0.3	0.2	0.2	0.1
Account					
Legal Services Revolving Account-State 405-1	0	46,000	46,000	50,000	22,000
Total \$	0	46,000	46,000	50,000	22,000

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: Peter Clodfelter	Phone: 360-786-7127	Date: 01/26/2022
Agency Preparation: Cam Comfort	Phone: (360) 664-9429	Date: 02/02/2022
Agency Approval: Dianna Wilks	Phone: 360-709-6463	Date: 02/02/2022
OFM Review: Tyler Lentz	Phone: (360) 790-0055	Date: 02/03/2022

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.

Section 1 states legislative findings.

Section 2 amends RCW 69.50.101 to add definitions for “artificial cannabinoid” and “cannabinoid,” to define several others terms, and revise the definitions of other terms.

Section 3 adds a new section to RCW 69.50 relating to the sale of products containing or consisting of cannabinoids produced and processed for human consumption, and providing that all such products are within the regulatory authority of the Liquor and Cannabis Board (LCB). The manufacture and sale of artificial cannabinoids is prohibited.

Section 4 amends RCW 69.50.325 relating to licensing and the preparation and propagation of marijuana grown from seeds or clones of natural origin. LCB may issue new marijuana retailer licenses pursuant to this chapter and RCW 69.50.335.

Section 5 amends RCW 69.50.326 relating to the use of other non-impairing cannabinoids and non-impairing plan Cannabis isolates by licensed marijuana producers and processors. Disclosure and labeling requirements are imposed. LCB is required to revise rules as appropriate.

Section 6 amends RCW 69.50.342 to provide additional express rulemaking authority to LCB.

Section 7 amends RCW 69.50.363 to exclude from criminal and civil offenses the compounding or converting of marijuana products from marijuana grown by a licensed marijuana producer, as specified by the LCB by rule.

Section 8 amends RCW 69.50.455 to provide an exception related to the consumer protection act for acts authorized under Section 3 and RCW 69.50.326.

Section 9 amends RCW 69.50.375 to prohibit artificial cannabinoids and synthetically derived cannabinoids in the marijuana concentrates, useable marijuana, and marijuana-infused products that may be approved, labeled, or represented as complying with requirements adopted by the Department of Health (DOH) under subsection (4) of the statute.

Sections 10 and 11 amend RCW 82.08.9998 and RCW 82.12.9998 relating to the retail sale and use tax exemptions for certain marijuana-related products identified by DOH in rules adopted under RCW 69.50.375.

Section 12 provides an effective date of 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.

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 (LCB). 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 agency’s fiscal note. Appropriation authority is necessary in the AGO budget.

AGO AGENCY ASSUMPTIONS:

LCB will be billed:

FY 2023: \$46,000 for 0.19 Assistant Attorney General (AAG-non-SEA), 0.10 Legal Assistant (LA-non-SEA), 0.01 Paralegal (PL-non-SEA).

FY 2024: \$33,000 for 0.13 for AAG, 0.07 LA, and 0.01 PL.

FY 2025: \$17,000 for 0.07 for AAG, 0.04 LA, and 0.01 PL.

FY 2026: \$11,000 for 0.04 for AAG, 0.03 LA, and 0.01 PL.

FY 2027: \$11,000 for 0.04 for AAG, 0.03 LA, and 0.01 PL and in each FY thereafter.

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.

Attorney General's Office (AGO) Agency Assumptions:

1. Legal services associated with the enactment of this bill will begin on July 1, 2022.
2. Location of staffing housed is assumed to be in a non-Seattle office building.
3. Total workload impact in this request includes standard assumption costs for good & services, travel, and capital outlays for all FTE identified.
4. Agency administration support FTE are included in the tables, for every one Assistant Attorney General (AAG), the AGO include 0.5 FTE for a Legal Assistant 3 (LA) and 0.25 of a Management Analyst 5 (MA5). The MA5 is used as a representative classification.

Assumptions for the AGO Governmental Compliance Enforcement Division's (GCE) Legal Services for the Liquor and Cannabis Board (LCB):

1. The AGO will bill LCB for legal services based on the enactment of this bill.
2. GCE represents the LCB in licensing and enforcement actions. SHB 1668 would define artificial and synthetically derived cannabinoid and would prohibit the sale of artificial cannabinoids. The LCB would be required to adopt rules to effectuate this bill.
3. Licensing and Administrative Law (LAL) would provide the majority of the legal support for rulemaking under this bill, but GCE assumes it would be asked for input. We assume that GCE would provide approximately 30 AAG hours of rulemaking advice in FY 2023, 15 AAG hours in FY 2024, and 5 AAG hours in FY 2025.
4. Beginning in FY 2023, we assume that GCE would receive approximately 1-2 new administrative litigation referrals each year and that these new cases would utilize 45 AAG hours and 10 PL hours. Finally, beginning in FY 2023 and continuing each year thereafter, we assume we would be asked for advice on new administrative seizures resulting from this bill, which would generate 5 AAG hours of new work.

GCE: Total workload impact:

FY 2023: 0.04 AAG-non-SEA, 0.02 LA-non-SEA, and 0.01 Paralegal (PL-non-SEA) at a cost of \$10,000.

FY 2024: 0.04 AAG, 0.02 LA, and 0.01 PL at a cost of \$10,000.

FY 2025: 0.03 AAG, 0.02 LA, and 0.01 PL at a cost of \$8,000.

FY 2026: 0.03 AAG, 0.02 LA, and 0.01 PL at a cost of \$8,000.

FY 2027: 0.03 AAG, 0.02 LA, and 0.01 PL at a cost of \$8,000 and in each FY thereafter.

Assumptions for the AGO LAL Division's Legal Services for the LCB :

1. The AGO will bill LCB for legal services based on the enactment of this bill.
2. SHB 1668 would define artificial and synthetically derived cannabinoid and would prohibit the sale of artificial cannabinoids. The LCB would be required to adopt rules to effectuate this bill.
3. Provide advice to LCB on rulemaking and will defend any rulemaking challenges brought against the LCB. LAL will also defend any challenges to the statutory provisions of the bill, should it pass, although at this time, LAL does not anticipate any challenges to the statutory provisions.
4. Advice on rulemaking will require the following resources: 250 AAG hours in FY 2023; 150 AAG hours in FY 2024; and 50 AAG hours in FY 2025.
5. Advises LCB on final orders of administrative regulatory actions. GCE projects 1-2 new enforcement actions each year stemming from the provisions of this bill. Each of these licensing and enforcement actions will require 10 hours of AAG time to advise the Liquor and Cannabis Board. Therefore, LAL projects 15 AAG hours on advising the LCB on final orders beginning in FY 2023 and thereafter.

LAL: Total workload impact:

FY 2023: 0.15 AAG-non-SEA, and 0.08 LA-non-SEA at a cost of \$36,000.

FY 2024: 0.09 AAG, and 0.05 LA at a cost of \$23,000.

FY 2025: 0.04 AAG, and 0.02 LA at a cost of \$9,000.

FY 2026: 0.01 AAG, and 0.01 LA at a cost of \$3,000.

FY 2027: 0.01 AAG, and 0.01 LA at a cost of \$3,000 and in each FY thereafter.

Total Workload impact:

FY 2023: 0.19 AAG, 0.10 LA and 0.10 PL at a cost of \$46,000.

FY 2024: 0.13 AAG, 0.07 LA and 0.10 PL at a cost of \$33,000.

FY 2025: 0.07 AAG, 0.04 LA and 0.10 PL at a cost of \$17,000.

FY 2024: 0.04 AAG, 0.03 LA and 0.10 PL at a cost of \$11,000.

FY 2024: 0.04 AAG, 0.03 LA and 0.10 PL at a cost of \$11,000 and in each FY thereafter.

The AGO Agricultural and Health Division has reviewed this bill and determined it will not significantly increase or decrease the division's workload in representing the Department of Health (DOH). The enactment of this bill will not impact the provision of legal services to DOH. The bill would require Liquor and Cannabis Board consultation with DOH on some matters and potentially some limited rule amendments by DOH. New legal services are nominal and costs are not included in this request.

The AGO Consumer Protection Division has reviewed this bill and determined it will not significantly increase or decrease the division's workload. New services are nominal and costs are not included in this request.

The AGO Revenue and Finance Division has reviewed this bill and determined it will not significantly increase or decrease the division's workload in representing the Department of Revenue (DOR). The enactment of this bill will not impact the provision of legal services to the Department of Revenue because any legal services related to sections 10 and 11 amending the retail sale and use tax exemptions for certain marijuana-related products will be nominal costs are not included in this request.

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	0	46,000	46,000	50,000	22,000
Total \$			0	46,000	46,000	50,000	22,000

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27	
FTE Staff Years		0.3	0.2	0.2	0.1	
A-Salaries and Wages		31,000	31,000	33,000	14,000	
B-Employee Benefits		10,000	10,000	11,000	6,000	
C-Professional Service Contracts						
E-Goods and Other Services		5,000	5,000	6,000	2,000	
G-Travel						
J-Capital Outlays						
Total \$		0	46,000	46,000	50,000	22,000

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		0.2	0.1	0.1	0.0
Legal Assistant 3	54,108		0.1	0.1	0.1	0.0
Management Analyst 5	88,644		0.0	0.0	0.0	
Paralegal 2	69,264		0.0	0.0	0.0	0.0
Total FTEs			0.3	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)		10,000	10,000	18,000	16,000	
Licensing & Administrative Law Division (LAL)		36,000	36,000	32,000	6,000	
Total \$			46,000	46,000	50,000	22,000

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

Bill Number: 1668 S HB	Title: Marijuana products	Agency: 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 .

Legislative Contact: Peter Clodfelter	Phone: 360-786-7127	Date: 01/26/2022
Agency Preparation: Pete Boeckel	Phone: 360-407-2730	Date: 01/28/2022
Agency Approval: Deborah Feinstein	Phone: 360-407-2717	Date: 01/28/2022
OFM Review: Tyler Lentz	Phone: (360) 790-0055	Date: 01/28/2022

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

Bill Number: 1668 S HB	Title: 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	324,370	324,370	541,740	513,740
Total \$	0	324,370	324,370	541,740	513,740

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.

Legislative Contact: Peter Clodfelter	Phone: 360-786-7127	Date: 01/26/2022
Agency Preparation: Colin O Neill	Phone: (360) 522-2281	Date: 02/01/2022
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 02/01/2022
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/01/2022

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 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 12: This act takes effect July 1, 2022.

CHANGES MADE BY THE SUBSTITUTE VERSION:

Section 2(3)(d) is modified to eliminate a reference to "artificial cannabinoids" being also defined in Schedules I through V of the state Uniform Controlled Substances Act, while retaining the new definition of "artificial cannabinoid" included in the bill.

Section 6(1)(o) - Changes the scope of a proposed grant of rule-making authority to the Board over the production, processing, transportation, delivery, sale, and purchase of naturally derived cannabinoids or synthetically derived cannabinoids. Specifies that this grant of rule-making authority does not include authority to adopt rules on these activities related to:

- (1) Hemp or products derived from hemp, except products intended for use by a cannabis licensee as authorized in law; or
- (2) products authorized as a drug by the federal food and drug administration.

Section 8 (new section): Amends a 2015 law that makes it an unfair or deceptive act to manufacture, distribute, sell, or take certain other actions related to "synthetic cannabinoids" in order to specify the 2015 law does not prohibit any activities of cannabis licensees that may be authorized pursuant to the bill and the liquor and cannabis board's rules with respect to separately defined "synthetically derived cannabinoids."

Section 9(5) (new section) Specifies that artificial cannabinoids and synthetically derived cannabinoids are prohibited in the marijuana products that may be approved, labeled, or represented as complying with the additional product requirements adopted by the department of health for marijuana products sold or provided to qualifying patients and designated providers by retailers with a medical marijuana endorsement.

Section 10(1a) (new section) Limits the retail sales tax exemption for qualifying patients and designated providers purchasing marijuana products so the tax exemption applies only when the marijuana products do not contain any artificial cannabinoids or synthetically derived cannabinoids.

Section 11(1a) (new section) Same as Section 10(1a) but applies to the use tax exemption.

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.

BOARD DIVISION:

Director's Office: 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.

Attorney General Costs: the Attorney General's Office assumes it will bill the Board for costs relating to rulemaking, final orders, litigation, and advice as a result of this bill.

FY23: \$46,000

FY24: \$33,000

FY25: \$17,000
 FY26+: \$11,000/yr

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.

Based on the attached analysis "1668 SHB 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	324,370	324,370	541,740	513,740
Total \$			0	324,370	324,370	541,740	513,740

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		66,410	66,410	64,780	36,780
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	324,370	324,370	541,740	513,740

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)		178,245	178,245	302,280	274,280
Enforcement Division (060)		146,125	146,125	239,460	239,460
Total \$		324,370	324,370	541,740	513,740

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 SHB "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

Individual State Agency Fiscal Note

Bill Number: 1668 S HB	Title: Marijuana products	Agency: 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
Account					
General Fund-State 001-1	0	1,655,000	1,655,000	254,000	254,000
Total \$	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: Peter Clodfelter	Phone: 360-786-7127	Date: 01/26/2022
Agency Preparation: Yvonne Ellison	Phone: 360-596-4042	Date: 02/03/2022
Agency Approval: Walter Hamilton	Phone: 360-596-4046	Date: 02/03/2022
OFM Review: Ruth Roberson	Phone: (360) 995-3826	Date: 02/04/2022

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, the proposed legislation makes changes to definitions that apply throughout Chapter 69.50 RCW. This is expected to result in changes to evidentiary standards that will impact the WSP. The substitute version makes changes that do not impact this assumption.

Changes with potential impact to the WSP include the following :

Section 2(c) adds a detailed definition of Artificial cannabinoid.

Section 2(e) adds a detailed definition of Cannabinoid.

Section 2(h) adds language to the definition of CBD product that includes minimum levels of THC.

Section 2(w) adds a detailed definition of Extract.

Section 2(aa) adds a detailed definition of Isolate.

Section 2(ff) adds language to the definition of Marijuana that includes concentrated resins, cannabinoids, and the products thereof.

Section 2(ff)(2) adds language to the definition of Hemp that includes maximum levels of THC.

Section 2(ccc) adds a detailed definition of Synthetically derived cannabinoid.

Section 2(ddd) adds a detailed definition of Tetrahydrocannabinol or THC.

Section 2(fff) adds a detailed definition of Total THC.

Section 2(fff) adds a detailed definition of Total THC.

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 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 the pre-filed version of this legislation requested by the LCB in Z-0334.2.

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
Total \$			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
Total \$	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

Bill Number: 1668 S HB	Title: Marijuana products	Agency: 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
Account					
Health Professions Account-State 02G-1	2,000	21,000	23,000	7,000	0
Total \$	2,000	21,000	23,000	7,000	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: Peter Clodfelter	Phone: 360-786-7127	Date: 01/26/2022
Agency Preparation: Bobbi Berschauer	Phone: 3602364378	Date: 02/02/2022
Agency Approval: Alisa Weld	Phone: (360) 236-2907	Date: 02/02/2022
OFM Review: Breann Boggs	Phone: (360) 485-5716	Date: 02/02/2022

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.

Section 2: Adds and amends definitions related to cannabinoids and cannabis within 69.50 RCW (Uniform Controlled Substances Act).

Section 6: Gives LCB rulemaking authority regarding the production, processing, transportation, delivery, sale, and purchase of naturally derived cannabinoids or synthetically derived cannabinoids. This rule-making authority does not include authority to adopt rules on activities identified in this subsection related to products authorized as a drug by the federal Food and Drug Administration.

Section 12: 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.

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, 6, and 12: The Commission will adopt rules to align with changes to the definitions of cannabinoids and marijuana in WAC 246-945-051 (Schedule I) and distinguish between synthetic and artificial cannabinoids. The department anticipates this will require emergency rulemaking in order for rules to be in place by the bill's July 1, 2022 effective date. The commission will also adopt permanent rules through the traditional rulemaking process. Due to the controversial nature of Schedule I rulemaking and the wide variety of stakeholders impacted by changes made to drug schedules, the department anticipates this will be complex and controversial rulemaking taking approximately 18 months to complete. Rulemaking will consist of 6 stakeholder meetings, and 2 formal rules hearing. This will allow stakeholders and licensees to participate and provide comments during the rulemaking process. One-time rulemaking costs include staff-time and Office of the Attorney General support in the amount of \$7,500.

Total rulemaking costs:

FY 2022: \$2,000 (02G)

FY 2023: 0.1 FTE and \$21,000 (02G)

FY 2024: \$7,000 (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	2,000	21,000	23,000	7,000	0
Total \$			2,000	21,000	23,000	7,000	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	1,000	10,000	11,000	4,000		
B-Employee Benefits		4,000	4,000	1,000		
E-Goods and Other Services	1,000	6,000	7,000	2,000		
T-Intra-Agency Reimbursements		1,000	1,000			
9-						
Total \$		2,000	21,000	23,000	7,000	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
ADMINISTRATIVE ASST 3	48,996					
Fiscal Analyst 2	53,000					
HEALTH SERVICES CONSULTANT 4	80,292		0.1	0.1		
Health Svcs Conslt 1	53,000					
WMS02	110,760					
WMS03	125,268					
Total FTEs			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

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, 6, and 12: The commission will adopt rules in WAC 246-945-051 (Schedule I) as necessary to implement this bill.