

# Multiple Agency Fiscal Note Summary

|                             |   |
|-----------------------------|---|
| <b>Bill Number:</b> 1159 HB | <b>Title:</b> Interstate cannabis agrmts. |
|-----------------------------|---|

## Estimated Cash Receipts

| Agency Name                | 2023-25  |             |       | 2025-27  |             |       | 2027-29  |             |       |
|----------------------------|--|-------------|-------|----------|-------------|-------|----------|-------------|-------|
|                            | GF-State   | NGF-Outlook | Total | GF-State | NGF-Outlook | Total | GF-State | NGF-Outlook | Total |
| Office of Attorney General | Non-zero but indeterminate cost and/or savings. Please see discussion. |             |       |          |             |       |          |             |       |
| Department of Revenue      | Non-zero but indeterminate cost and/or savings. Please see discussion. |             |       |          |             |       |          |             |       |
| Liquor and Cannabis Board  | Non-zero but indeterminate cost and/or savings. Please see discussion. |             |       |          |             |       |          |             |       |
| <b>Total \$</b>            | 0  | 0           | 0     | 0        | 0           | 0     | 0        | 0           | 0     |

## Estimated Operating Expenditures

| Agency Name                | 2023-25  |          |             |         | 2025-27 |          |             |       | 2027-29 |          |             |       |
|----------------------------|--|----------|-------------|---------|---------|----------|-------------|-------|---------|----------|-------------|-------|
|                            | FTEs   | GF-State | NGF-Outlook | Total   | FTEs    | GF-State | NGF-Outlook | Total | FTEs    | GF-State | NGF-Outlook | Total |
| Office of the Governor     | Non-zero but indeterminate cost and/or savings. Please see discussion. |          |             |         |         |          |             |       |         |          |             |       |
| Office of Attorney General | Non-zero but indeterminate cost and/or savings. Please see discussion. |          |             |         |         |          |             |       |         |          |             |       |
| Department of Revenue      | .2   | 14,700   | 14,700      | 176,100 | .0      | 0        | 0           | 0     | .0      | 0        | 0           | 0     |
| Liquor and Cannabis Board  | Non-zero but indeterminate cost and/or savings. Please see discussion. |          |             |         |         |          |             |       |         |          |             |       |
| Department of Health       | .0   | 0        | 0           | 0       | .0      | 0        | 0           | 0     | .0      | 0        | 0           | 0     |
| Department of Agriculture  | .0   | 0        | 0           | 0       | .0      | 0        | 0           | 0     | .0      | 0        | 0           | 0     |
| <b>Total \$</b>            | 0.2  | 14,700   | 14,700      | 176,100 | 0.0     | 0        | 0           | 0     | 0.0     | 0        | 0           | 0     |

## Estimated Capital Budget Expenditures

| Agency Name                | 2023-25 |       |       | 2025-27 |       |       | 2027-29 |       |       |
|----------------------------|---------|-------|-------|---------|-------|-------|---------|-------|-------|
|                            | FTEs    | Bonds | Total | FTEs    | Bonds | Total | FTEs    | Bonds | Total |
| Office of the Governor     | .0      | 0     | 0     | .0      | 0     | 0     | .0      | 0     | 0     |
| Office of Attorney General | .0      | 0     | 0     | .0      | 0     | 0     | .0      | 0     | 0     |
| Department of Revenue      | .0      | 0     | 0     | .0      | 0     | 0     | .0      | 0     | 0     |
| Liquor and Cannabis Board  | .0      | 0     | 0     | .0      | 0     | 0     | .0      | 0     | 0     |
| Department of Health       | .0      | 0     | 0     | .0      | 0     | 0     | .0      | 0     | 0     |
| Department of Agriculture  | .0      | 0     | 0     | .0      | 0     | 0     | .0      | 0     | 0     |
| <b>Total \$</b>            | 0.0     | 0     | 0     | 0.0     | 0     | 0     | 0.0     | 0     | 0     |

# Estimated Capital Budget Breakout

|                                       |                                 |                                 |
|---------------------------------------|---------------------------------|---------------------------------|
| <b>Prepared by:</b> Amy Hatfield, OFM | <b>Phone:</b><br>(360) 000-0000 | <b>Date Published:</b><br>Final |
|---------------------------------------|---------------------------------|---------------------------------|

# Individual State Agency Fiscal Note

|                             |   |   |
|-----------------------------|---|---|
| <b>Bill Number:</b> 1159 HB | <b>Title:</b> Interstate cannabis agrmts. | <b>Agency:</b> 075-Office of the Governor |
|-----------------------------|---|---|

## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

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

### 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: 01/06/2023 |
| Agency Preparation: Tracy Sayre       | Phone: 360-890-5279   | Date: 01/11/2023 |
| Agency Approval: Kathy Cody           | Phone: (360) 480-7237 | Date: 01/11/2023 |
| OFM Review: Cheri Keller              | Phone: (360) 584-2207 | Date: 01/12/2023 |

## Part II: Narrative Explanation

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

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

Sec 1 allows the Governor to enter into an agreement with other states for cross-jurisdictional coordination, delivery, and enforcement of cannabis related activities.

This legislation will not take effect until federal law is amended or the US Department of Justice issues an opinion or memorandum allowing or tolerating the interstate transfer of cannabis.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

The Governor's Office cannot determine an impact because it is unknown if the US Department of Justice will issue an opinion or memorandum or if federal law will be amended. It is unknown if or when the Governor will choose to enter into an agreement.

If the Governor chooses to enter into an agreement, the Governor's Office estimates a minimal workload impact with attending stakeholder meetings and working on the agreement. The Office estimates this work can be accomplished within existing resources.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

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

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

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

**III. C - Operating FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals 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**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

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

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Individual State Agency Fiscal Note

|                             |   |   |
|-----------------------------|---|---|
| <b>Bill Number:</b> 1159 HB | <b>Title:</b> Interstate cannabis agrmts. | <b>Agency:</b> 100-Office of Attorney General |
|-----------------------------|---|---|

## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

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

**Estimated Operating Expenditures from:**

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

**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: 01/06/2023 |
| Agency Preparation: Chad Standifer    | Phone: 3605863650     | Date: 01/11/2023 |
| Agency Approval: Joe Zawislak         | Phone: 360-586-3003   | Date: 01/11/2023 |
| OFM Review: Cheri Keller              | Phone: (360) 584-2207 | Date: 01/12/2023 |

## Part II: Narrative Explanation

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

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

The Attorney General's Office (AGO) Government Compliance and Enforcement (GCE) Division litigates licensing and enforcement actions for the Liquor and Cannabis Board (LCB). GCE has reviewed this bill and determined that this bill would have no current fiscal impact on GCE. Implementation of the bill's provisions, including the execution of any agreements with other states, are contingent on preconditions set by the United States government. Specifically, the bill requires either that the federal government change federal law to permit the interstate transfer of cannabis or that the United States Department of Justice (DOJ) issue an opinion or memorandum allowing or tolerating the interstate transfer of cannabis between authorized businesses.

Additionally, if the preconditions set forth in this bill are met, the LCB would be required to adopt rules necessary to authorize the sale, deliver, and receipt of cannabis in accordance with agreements the terms of which are currently unknown. Although it is possible that GCE would provide some advice during an ensuing rulemaking and, depending on the extent of the new business generated by the agreements, GCE could see an increase in litigating some licensing or enforcement actions, the extent of such impact cannot currently be quantified. Further, because implementation of this bill is contingent on an act of another government, it is impossible to determine when, or if, any such impact will occur, GCE projects no fiscal impact at this time.

The AGO Licensing and Administrative Law (LAL) Division has reviewed this bill and determined that there is no current fiscal impact. Implementation of the bill is contingent on preconditions set by the United States government. Specifically, the bill requires either that the federal government change federal law to permit the interstate transfer of cannabis or that the DOJ issue an opinion or memorandum specifically allowing or tolerating the interstate transfer of cannabis. Any interstate transfer of cannabis is, at this time, a federal crime.

The bill also imposes specific requirements on LCB if any of the triggering events occurs. For instance, Sec. 1(2) requests that LCB ensure that public health and safety standards are met; cannabis sold in interstate commerce is tested, packaged, and labeled in accordance with Washington law, and that all applicable taxes are collected.

The bill further creates exceptions to Washington's current bans on delivery of cannabis to persons, permitting Washington licensees to deliver cannabis to (or receive cannabis from) out-of-state persons.

Should this bill be implemented, LAL projects a fiscal impact that will likely exceed 90 hours of AAG time. This will include, but may not be limited to: (1) advising LCB on the negotiation of interstate compacts, which may include negotiations with up to 38 states/territories (at present); (2) advising LCB on rulemaking related to implementation of testing, packaging, delivery provisions of out-of-state cannabis transfers; (3) defending any litigation related to the rulemaking and implementation, which would likely include defending potential differential treatment on delivery to in-state vs. out-of-state persons; and (4) additional advice on final orders related to any increased enforcement activity.

Because implementation of this bill is contingent on an act of another government, it is impossible to determine when, or if, any such impact will occur, LAL projects no fiscal impact at this time.

The AGO Agriculture and Health (AHD) Division has reviewed this bill and determined it will not significantly increase the division's workload. New legal services are nominal, and costs are not included in this request.

The AGO Solicitor General's Office has reviewed this bill and determined it will not significantly increase or decrease the division's workload. New legal services are nominal, and costs are not included in this request.

### II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

## II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

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

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

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

**III. C - Operating FTE Detail:** FTEs listed by classification and corresponding annual compensation. Totals 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

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

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

NONE

## Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.



# Department of Revenue Fiscal Note

|                             |   |  |
|-----------------------------|---|--|
| <b>Bill Number:</b> 1159 HB | <b>Title:</b> Interstate cannabis agrmts. | <b>Agency:</b> 140-Department of Revenue |
|-----------------------------|---|--|

## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

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

**Estimated Expenditures from:**

|                                      | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|--------------------------------------|---------|---------|---------|---------|---------|
| FTE Staff Years                      | 0.3     |         | 0.2     |         |         |
| <b>Account</b>                       |         |         |         |         |         |
| GF-STATE-State 001-1                 | 14,700  |         | 14,700  |         |         |
| Business License Account-State 03N-1 | 161,400 |         | 161,400 |         |         |
| <b>Total \$</b>                      | 176,100 |         | 176,100 |         |         |

**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: 60-786-7127    | Date: 01/06/2023 |
| Agency Preparation: Van Huynh         | Phone: 60-534-1512    | Date: 01/11/2023 |
| Agency Approval: Valerie Torres       | Phone: 60-534-1521    | Date: 01/11/2023 |
| OFM Review: Cheri Keller              | Phone: (360) 584-2207 | Date: 01/12/2023 |

Request # 1159-2-2

## Part II: Narrative Explanation

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

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

Note: This fiscal note reflects a revision to the expenditures, and replaces fiscal note number 1159-1.

#### CURRENT LAW:

There is no statute allowing for interstate cannabis agreements.

#### PROPOSAL:

Allows the governor to enter into an agreement with other states for the purposes of:

- Cross-jurisdictional coordination and enforcement of cannabis-related businesses authorized to conduct business in Washington, the other state, or both; and
- Cross-jurisdictional delivery of cannabis between Washington and the other state.

An agreement must ensure:

- Enforceable public health and safety standards are met, and include a system to regulate and track the interstate delivery of cannabis;
- Any cannabis delivered into Washington, before sale to a consumer, is:
  - Tested in accordance with rules adopted by the Department of Agriculture, by the Department of Health, and by the state Liquor and Cannabis Board;
  - Packaged and labeled in accordance with the Uniform Controlled Substances Act and rules adopted by the state Liquor and Cannabis Board; and
- Applicable taxes on the sale, delivery, and receipt of cannabis are collected.

An agreement entered into must provide that:

- A cannabis producer, processor, researcher, or retailer licensed may deliver cannabis to a person located in, and authorized to receive cannabis by, the other state; and
- A cannabis producer, processor, researcher, or retailer licensed may receive cannabis from a person located in, and authorized to export cannabis by, the other state.

#### EFFECTIVE DATE:

This bill takes effect on the earlier of the date on which:

- Federal law is amended to allow for the interstate transfer of cannabis between authorized cannabis-related businesses;
- or
- The U.S. Department of Justice issues an opinion or memorandum allowing or tolerating the interstate transfer of cannabis between authorized cannabis-related businesses.

If either of the conditions above occurs, the state Liquor and Cannabis Board must:

- Provide written notice of the effective date of this bill to affected parties, the chief clerk of the House of Representatives, the secretary of the Senate, the Office of the Code Reviser, and others as deemed appropriate by the board;
- Provide written notice of statutory changes necessary to authorize the sale, delivery, and receipt of cannabis in accordance with an agreement entered into under this bill to the governor and the appropriate committees of the legislature; and
- Adopt rules as necessary to authorize the sale, delivery, and receipt of cannabis in accordance with an agreement entered into under this bill.

## II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

This bill grants the governor the authority to enter into an agreement with other states and requires the federal government to act to become effective.

At this time:

- It is unknown when or if the governor will reach an agreement.
- It is unknown when the federal government will act.

## II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

### ASSUMPTIONS:

- The governor will enter into one or more marijuana agreements with another state in fiscal year 2024; however, it is unknown when the actual expenditures will occur.
- The department will need to add a license for interstate cannabis agreements.

### FIRST YEAR COSTS:

The department will incur total costs of \$176,100 in fiscal year 2024. These costs include:

Labor Costs - Time and effort equate to 0.33 FTE.

- Program and test computer system changes.
- Create one new administrative rule.

Object Costs - \$132,000.

- Computer system changes, including contract programming.

### ONGOING COSTS:

There are no further ongoing costs.

## Part III: Expenditure Detail

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

|                                  | FY 2024          | FY 2025 | 2023-25          | 2025-27 | 2027-29 |
|----------------------------------|------------------|---------|------------------|---------|---------|
| FTE Staff Years                  | 0.3              |         | 0.2              |         |         |
| A-Salaries and Wages             | 27,900           |         | 27,900           |         |         |
| B-Employee Benefits              | 9,200            |         | 9,200            |         |         |
| C-Professional Service Contracts | 132,000          |         | 132,000          |         |         |
| E-Goods and Other Services       | 4,800            |         | 4,800            |         |         |
| J-Capital Outlays                | 2,200            |         | 2,200            |         |         |
| <b>Total \$</b>                  | <b>\$176,100</b> |         | <b>\$176,100</b> |         |         |

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

| Job Classification | Salary  | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|--------------------|---------|---------|---------|---------|---------|---------|
| EMS BAND 4         | 126,619 | 0.0     |         | 0.0     |         |         |
| EMS BAND 5         | 147,919 | 0.0     |         | 0.0     |         |         |
| IT SYS ADM-JOURNEY | 92,844  | 0.2     |         | 0.1     |         |         |
| MGMT ANALYST4      | 73,260  | 0.0     |         | 0.0     |         |         |
| TAX POLICY SP 2    | 75,120  | 0.0     |         | 0.0     |         |         |
| TAX POLICY SP 3    | 85,020  | 0.1     |         | 0.0     |         |         |
| TAX POLICY SP 4    | 91,524  | 0.0     |         | 0.0     |         |         |
| WMS BAND 3         | 107,685 | 0.0     |         | 0.0     |         |         |
| <b>Total FTEs</b>  |         | 0.3     |         | 0.2     |         |         |

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

NONE

**Part IV: Capital Budget Impact**

**IV. A - Capital Budget Expenditures**

NONE

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

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

Should this legislation become law, the department will use the standard process to adopt WAC 458-20-NEW, titled: "Tax on Interstate Cannabis Agreements." Persons affected by this rulemaking would include out-of-state cannabis businesses selling into Washington.

# Individual State Agency Fiscal Note

|                             |   |  |
|-----------------------------|---|--|
| <b>Bill Number:</b> 1159 HB | <b>Title:</b> Interstate cannabis agrmts. | <b>Agency:</b> 195-Liquor and Cannabis Board |
|-----------------------------|---|--|

## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

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

### Estimated Operating Expenditures from:

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

### 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: 01/06/2023 |
| Agency Preparation: Colin O Neill     | Phone: (360) 664-4552 | Date: 01/10/2023 |
| Agency Approval: Aaron Hanson         | Phone: 360-664-1701   | Date: 01/10/2023 |
| OFM Review: Amy Hatfield              | Phone: (360) 000-0000 | Date: 01/11/2023 |

## Part II: Narrative Explanation

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

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

Section 1: Would allow the governor to enter into interstate compacts with other states for the purposes of:

- a) coordination and enforcement of cannabis businesses in this state, the other state, or both
- b) cross-jurisdictional delivery of cannabis between this state and the other state.

Section 2(1): This act would take effect on the earlier of the date on which federal law is amended to allow for interstate transfer of cannabis between authorized cannabis-related businesses, or the US Department of Justice issues an opinion or memorandum allowing or tolerating the interstate transfer of cannabis between authorized cannabis-related businesses.

Section 2(2): If this act takes effect because of federal action as outlined in section 2, then the Liquor and Cannabis Board must provide written notice of the effective date to affected parties, and statutory changes necessary to authorize the sale, deliver, and receipt of cannabis in accordance with the agreements entered into under section 1 of this bill.

Section 2(2c): The Board must also adopt rules necessary to authorize the sale, deliver, and receipt of cannabis in accordance with the agreements entered into under section 1.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

Section 1 requires that any agreement entered into under this section must ensure that applicable taxes on the sale, delivery, and receipt of cannabis are collected. While it is assumed that any cannabis delivered into this state would be subject to Washington state cannabis excise tax at the point of sale to consumer, it is unknown what effect this would have on tax revenues. Imported cannabis could replace existing in-state cannabis products (no net effect on purchases by consumers) or it could actually decrease tax revenue if the imported products are cheaper than products produced in-state. Or imported products may tend to be purchased in addition to the consumer's regular purchases (increasing tax revenues).

Due to the uncertainty of how imported product will impact the existing in-state market, cash receipt impact is indeterminate.

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

This bill would allow the governor to enter into interstate compacts with other states for the purposes of coordination and enforcement of cannabis businesses between the states as well as cross-jurisdictional delivery of cannabis between this state and the other state. If this act takes effect, the Washington State Liquor and Cannabis Board ("Board") must provide written notice of the effective date to affected parties, and statutory changes necessary to authorize the sale, deliver, and receipt of cannabis in accordance with the agreements.

The agency has determined that while indeterminate at this point, the possibility exists for considerable expense.

LICENSING DIVISION:

Licensing System

The agency will need the ability in the licensing system to issue an approval or authorization for out-of-state cannabis licenses. Part of the approval would require Licensing staff to verify the out-of-state business has a valid license in another

state.

#### Tracking Product and Label Approval

The agency will need a system to track product and labeling requests and approvals. The current system (SharePoint) used by the agency will not suffice for reporting and tracking purposes.

#### FTE's

The number of FTE's needed will be determined by the number of agreements entered into with other states:

- Program Specialist 4 (packaging and labeling approval)
- Licensing Specialist (process out-of-state authorizations)
- Customer Service Specialist 3 (setup applications, approval letters, increased phone calls)

\*\*\*\*\*

#### ENFORCEMENT DIVISION:

The agency assumes that it would create a team of LCB officers to educate out of state businesses and to enforce the provisions of this bill. The division has 2 units of 6 FTE each that enforce and educate out of state industries currently. Based on the number of agreements the state enters into a unit of up to 6 FTEs (5 officers and 1 Lieutenant) would need to be created.

#### Assumed responsibilities.

- Pesticide Investigations and Recalls
- Quality Control Sampling
- Cannabis product packaging and labeling requirements.
  - o Ensure out of state packaging and labeling meet our requirements prior to entering Washington state.
  - o Ensuring products are not "especially appealing to children" and contain proper warning before making to Washington state consumers.
- Overproduction of cannabis in the state due to introducing new products into the state.
- Increased opportunities for diversion into illicit markets due to over production.

Additionally, Washington State grown and packaged cannabis products must adhere to strong testing standards and labeling/packaging standards that safeguard public health. Other states may or may not have similar standards and may impact public health for Washington state consumers.

Requiring tracking of these transactions will impact the agency's traceability system with new users. There will also be impact to the traceability of product in the market with the introduction of out of state product.

\*\*\*\*\*

#### INFORMATION TECHNOLOGY DIVISION:

1. Changes would require tracking of interstate transactions and would impact CCRS (the agency's traceability system) with new users. There would also be an impact to the traceability of product in the market with the introduction of out of state products.

2. CCRS reports would need to be updated. Potential new reports created.
3. Agreements between states will dictate any reporting and data sharing requirements.
4. Licensing impacts and changes for licensee and tracking product and packaging approvals would be handled within the Salesforce implementation mid-2024 or beyond.
5. Licensing reporting changes and new reports needed would be handled within the Salesforce implementation mid-2024 or beyond.
6. Out-of-state licensees would not need to be added to the ArcGIS cannabis maps
7. Changes to the Tax and Fee system would only be needed if new privileges are required
8. Data being sent to Data.wa.gov would need to be updated

EFFECTS TO LEEADS PROJECT (agency's licensing/enforcement system upgrade)

There will be significant impact, but how much is indeterminate based on the following:

- Licensing has indicated that this will create an Authorization/Approval. Unknown if a unique Authorization/Approval would be needed for each agreement or a single Authorization/Approval would be acceptable.
- The project would need to better understand the business needs before being able to engage the project vendor for a change request estimate.
- There would be potential effort to modify the Packaging and Labeling requirements and process build in the Salesforce Solution.
- The project would need to better understand the business needs before being able to engage the project vendor for a change request estimate.

\*\*\*\*\*

DIRECTOR'S OFFICE

-RULEMAKING

The agency assumes the Board will be tasked with agreement lead and coordination, drafting, and implementation. This type of work would likely require about 6 meetings, but could be more like 8 or 9 with interstate coordination, which would include a few with industry, and a few with Oregon, and 1-2 with governor staff. Staff time would be 90 to 120 min per meeting, with most likely 5 mandatory FTE (managers from Licensing, Enforcement, Finance, Rules, and Policy). And of course there will be time spent with the Board's Director and the Board members on its development.

This work (if the estimate is correct), could be absorbed within the agency's existing rulemaking/policy staff workload.

-ATTORNEY GENERAL'S OFFICE BILLING

The Washington State Attorney General's Office (AGO) has determined that while indeterminate at this point, any costs associated with this legislation (and billed to the Board) are likely to be significant. Impacts are likely from (but not limited to):

- (1) advising the Board on the negotiation of interstate compacts, which may include negotiations with up to 38 states/territories (at present);
- (2) advising LCB on rulemaking related to implementation of testing, packaging, delivery provisions of out-of-state cannabis transfers;
- (3) defending any litigation related to the rulemaking and implementation, which would likely include defending potential differential treatment on delivery to in-state vs. out-of-state persons; and
- (4) additional advice on final orders related to any increased enforcement activity.



## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

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

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

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

**III. C - Operating FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals 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

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

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

NONE

## Part V: New Rule Making Required

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

Section 2(2c): The Board must also adopt rules necessary to authorize the sale, deliver, and receipt of cannabis in accordance with the agreements entered into under section 1.

# Individual State Agency Fiscal Note

|                             |   |   |
|-----------------------------|---|---|
| <b>Bill Number:</b> 1159 HB | <b>Title:</b> Interstate cannabis agrmts. | <b>Agency:</b> 303-Department of Health |
|-----------------------------|---|---|

## 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: 01/06/2023 |
| Agency Preparation: Kristin Bettridge | Phone: 3607911657     | Date: 01/09/2023 |
| Agency Approval: Stacy May            | Phone: (360) 236-4532 | Date: 01/09/2023 |
| OFM Review: Breann Boggs              | Phone: (360) 485-5716 | Date: 01/11/2023 |

## Part II: Narrative Explanation

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

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

Section 1(2)(b) (i) states that any cannabis delivered into this state, prior to sale, will be tested in accordance with existing Department of Health rules. There are no DOH statutes referenced in this bill, nor does it direct the Department of Health to take any actions. Therefore, no fiscal impact

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

NONE

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

NONE

**III. C - Operating FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals 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

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

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

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Individual State Agency Fiscal Note

|                             |   |  |
|-----------------------------|---|--|
| <b>Bill Number:</b> 1159 HB | <b>Title:</b> Interstate cannabis agrmts. | <b>Agency:</b> 495-Department of Agriculture |
|-----------------------------|---|--|

## 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: 01/06/2023 |
| Agency Preparation: Trecia Ehrlich    | Phone: 3605843711     | Date: 01/09/2023 |
| Agency Approval: Jeannie Brown        | Phone: 360-902-1989   | Date: 01/09/2023 |
| OFM Review: Matthew Hunter            | Phone: (360) 529-7078 | Date: 01/10/2023 |

## Part II: Narrative Explanation

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

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

HB 1159 allows for the Governor to enter into an agreement with another state to transport cannabis across state lines, should federal guidance on cannabis change. Currently, federal guidance does not allow for the transportation of cannabis across state lines, so in the event that the bill does pass, nothing will immediately change (unless federal guidance changes during legislative session).

The bill allows for the governor to come to agreements with Governors from other states on how cannabis might be transported across state lines. It would be the details of those agreements that could have a fiscal impact on the WSDA. If the Governor were to enter an agreement in which only finished and packaged cannabis products could be imported or exported out of the state, it is possible that there would be no impact to the WSDA. However, if the Governor entered into an agreement with a state to provide raw cannabis to a state that phytosanitary certificate requirements, or different pesticide regulations, it is possible there would be a large impact to a variety of programs at WSDA.

The actual fiscal impact would depend upon a change in federal guidelines, and the nature of the individual agreements the Governor made with different states. Until those agreements are formulated, there is no immediate financial impact to the WSDA based on the passage of the bill alone.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

No cash receipt/revenue impacts

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

No fiscal impacts

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

NONE

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

NONE

**III. C - Operating FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals 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**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

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

NONE

No capital impacts.

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

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*