

Multiple Agency Fiscal Note Summary

Bill Number: 1641 HB	Title: High-potency cannabis
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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
Liquor and Cannabis Board	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Total \$	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
Liquor and Cannabis Board	1.9	0	0	407,051	.9	0	0	185,538	.9	0	0	185,538
Department of Health	Fiscal note not available											
Total \$	1.9	0	0	407,051	0.9	0	0	185,538	0.9	0	0	185,538

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Liquor and Cannabis Board	.0	0	0	.0	0	0	.0	0	0
Department of Health	Fiscal note not available								
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

NONE

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Individual State Agency Fiscal Note

Bill Number: 1641 HB	Title: High-potency cannabis	Agency: 195-Liquor and Cannabis Board
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

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

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.9	1.9	1.9	0.9	0.9
Account					
Dedicated Cannabis Account-State 315-1	206,578	200,473	407,051	185,538	185,538
Total \$	206,578	200,473	407,051	185,538	185,538

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: 01/26/2023
Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 02/01/2023
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 02/01/2023
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/02/2023

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(1)(a): There is levied and collected a cannabis excise tax equal to:

- (i) 37 percent of the selling price on each retail sale in this state of cannabis-infused products, useable cannabis with a THC concentration less than 35 percent, and cannabis concentrates with a THC concentration less than 35 percent;
- (ii) 50 percent of the selling price on each retail sale in this state of cannabis concentrates and useable cannabis with a THC concentration of 35 percent or greater but less than 60 percent; and
- (iii) 65 percent of the selling price on each retail sale in this state of cannabis concentrates and useable cannabis with a THC concentration greater than 60 percent.

Section 2(1)(b):

- (i) No person including, but not limited to, a cannabis producer, processor, researcher, transporter, or retailer may place, maintain, or distribute, or cause to be placed, maintained, or distributed, any advertisement or marketing material, in any form or through any medium whatsoever, for a product that contains greater than 35 percent total tetrahydrocannabinol.
- (ii) The prohibition in this subsection (1)(b) applies to all forms of marketing and advertising including but not limited to marketing or advertising on web pages, social media, point-of-sale materials in retail outlets, radio, television, email, text messages, flyers, event promotion signs, mail, signs, billboards, and all other forms of advertising or marketing.

Section 3(1)(c):

- (i) Retail outlets may not sell a cannabis product with greater than 35 percent total tetrahydrocannabinol to a person who is under age 25 who is not a qualifying patient or designated provider.
- (iii) Violations of this subsection (1)(c) are subject to the following penalties:
 - (A) A five-day suspension or \$500 penalty for a first violation;
 - (B) A seven-day suspension for a second violation during a two-year period;
 - (C) A 30-day suspension for a third violation in a two-year period; and
 - (D) Cancellation of license for a fourth violation in a two-year period.

Section 3(5):

- (a) Cannabis retailers must provide point-of-sale information to consumers who purchase any cannabis products, except for useable cannabis, that must include accurate information about the potential harms of consuming high-THC products, including cannabis use disorder, psychotic disorders, and cannabinoid hyperemesis syndrome, populations at elevated risk of experiencing such potential harms, comparative dosing, how to read a label on a cannabis product, where to find help if the consumer feels negative effects, and resources for quitting or reducing cannabis consumption.
- (b) The board must develop optional training for cannabis retail staff who want to better understand the point-of-sale information required to be provided to consumers by this subsection (5). In developing the optional training, the board must consult with cannabis retail staff, consumers, persons who have been harmed from high-THC products, prevention professionals, behavioral health treatment providers, and youth advocates.

Section 4(7):

- (a) A cannabis product that contains greater than 35 percent total tetrahydrocannabinol must include a mandatory health warning label on the product container, in addition to other label information required under this chapter. The mandatory health warning label must be in a font size no smaller than 10-point font, use contrasting colors, and be placed in a prominent location that occupies at least 40 percent of the product container.
- (b) The University of Washington's addictions, drug and alcohol institute in consultation with the board and persons with expertise in public health must develop the content of the mandatory health warning label required under this subsection (7). The content must be tested for comprehension and clarity among persons between the ages of 21 and 24 years old, persons reporting mental health challenges, and persons who identify with historically marginalized groups. The content must include language enumerating the risks associated with the use of high-THC cannabis products such as acute psychotic symptoms,

development of psychotic disorders, cannabinoid hyperemesis syndrome, and cannabis use disorder.

(8) All cannabis products offered or sold to a consumer must be labeled with the number of serving units of tetrahydrocannabinol included in the package. A single serving unit of tetrahydrocannabinol is 10 milligrams of total tetrahydrocannabinol for purposes of this section. A cannabis product offered or sold in a package that contains more than a single serving unit of tetrahydrocannabinol must be labeled with text stating "CONTAINS MULTIPLE SERVINGS" and identify the number of total serving units in the container. Label information required by this subsection must be displayed on the cannabis product container in black ink with a white background and in a minimum font size of 10-point font.

(9) In addition to other labeling requirements in this chapter, all cannabis products offered or sold to a consumer must be labeled with an expression of a standard tetrahydrocannabinol unit in volume or amount of product to help a consumer understand or visualize how much of the product to consume for a single serving unit of tetrahydrocannabinol. The board must establish permissible text or images that cannabis licensees may include on product packages to comply with this subsection. By way of example, a permissible expression of a standard tetrahydrocannabinol unit in volume or amount of product for a cannabis product intended to be consumed by inhalation could specify that a serving size should not exceed one inhalation lasting two seconds per serving.

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(1)(a): There is levied and collected a cannabis excise tax equal to:

- (i) 37 percent of the selling price on each retail sale in this state of cannabis-infused products, useable cannabis with a THC concentration less than 35 percent, and cannabis concentrates with a THC concentration less than 35 percent;
- (ii) 50 percent of the selling price on each retail sale in this state of cannabis concentrates and useable cannabis with a THC concentration of 35 percent or greater but less than 60 percent; and
- (iii) 65 percent of the selling price on each retail sale in this state of cannabis concentrates and useable cannabis with a THC concentration greater than 60 percent.

The agency's Cannabis Central Reporting System (CCRS) has the capability for cannabis retailers to report THC percentages on sales to consumers, however, licensees are not required to utilize this functionality and it appears it is used less than 1/10th of the time. Thus, the agency does not have enough data to make an analysis regarding the impact of changing the cannabis excise tax structure would have, so the impact is indeterminate.

Section 3(1)(c):

(i) Retail outlets may not sell a cannabis product with greater than 35 percent total tetrahydrocannabinol to a person who is under age 25 who is not a qualifying patient or designated provider. Violations of subsection (1)(c) are subject to penalties. The agency makes no assumptions regarding increase in penalty revenue.

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.

FINANCE DIVISION:

Ongoing impact estimate 0.4 FTE Fiscal Analyst 2 (FA2) for additional processing.

- Tax unit will continue to enter sales and tax as we are now in Great Plains (accounting system)- one line for monthly sales and one for total collected excise tax to track receivables.
- Calculating the separate tax rates in current monthly verification excel spreadsheet.

- Assumption of separate revenue codes for breakdown of taxes collected by tier.

0.4 FTE Fiscal Analyst 2 - \$33,766/yr (\$32,658 salary/benefits, \$1,108 in associated costs).

LICENSING DIVISION:

The agency anticipates needing 1 Program Specialist 4 for 2 years (FY24/25) to support the Package and Labeling Unit with the following:

- Agency rulemaking efforts
- Significant updates to external training materials and agency website information
- Internal training
 - Expected significant increase in package and label approval requests. Approximately 4,000 existing products that would need to make changes to be compliant.
 - New requirements added to the review process (warning labels, font sizes, etc.) and will likely add to additional back and forth discussion with the licensee.

1.0 FTE Program Specialist 4 - \$107,704/yr (\$104,934 salary/benefits, \$2,770 in associated costs). Onetime costs in FY24 of \$6,105 for equipment purchases.

ENFORCEMENT DIVISION:

The Washington State Liquor and Cannabis Board ("Board") 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.

The anticipated workload impacts of this bill are from complaint investigations, compliance checks & failures, and support and education. Please see the attached "1641 HB High potency cannabis - Enforcement Field Increment Calculator.pdf" for the workload calculations.

0.3 FTE LCB Enforcement Officer 2 - \$36,856/yr (\$32,098 salary/benefits, \$4,758 in associated costs).

0.2 FTE Administrative Regulations Analyst 3 - \$22,147/yr (\$18,975 salary/benefits, \$3,172 in associated costs).

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
315-1	Dedicated Cannabis Account	State	206,578	200,473	407,051	185,538	185,538
Total \$			206,578	200,473	407,051	185,538	185,538

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.9	1.9	1.9	0.9	0.9
A-Salaries and Wages	138,091	138,091	276,182	122,126	122,126
B-Employee Benefits	50,574	50,574	101,148	45,336	45,336
C-Professional Service Contracts					
E-Goods and Other Services	5,967	5,862	11,829	6,464	6,464
G-Travel	5,580	5,580	11,160	11,160	11,160
J-Capital Outlays	6,366	366	6,732	452	452
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	206,578	200,473	407,051	185,538	185,538

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 2024	FY 2025	2023-25	2025-27	2027-29
Administrative Regulations Analyst 3	75,120	0.2	0.2	0.2	0.2	0.2
Fiscal Analyst 2	57,324	0.4	0.4	0.4	0.4	0.4
LCB Enforcement Officer 2	77,028	0.3	0.3	0.3	0.3	0.3
Program Specialist 4	77,028	1.0	1.0	1.0		
Total FTEs		1.9	1.9	1.9	0.9	0.9

III. D - Expenditures By Program (optional)

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
Finance Division (020)	33,766	33,766	67,532	67,532	67,532
Licensing Division (050)	113,809	107,704	221,513		
Enforcement Division (060)	59,003	59,003	118,006	118,006	118,006
Total \$	206,578	200,473	407,051	185,538	185,538

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.

Enforcement Field Increment (FI) Calculator

1641 HB: "High potency cannabis"

Event	# of events	Time Factor	Staffing Factor	FI Total	Officer	Consultant
Complaint Investigations - Cannabis	24	20	1.30	624	624	
Cannabis Retailer Compliance Check	28	2	2.00	112	112	
Cannabis Compliance Check Failure	2	5	2.00	20	20	
Non RVP Member Support and Education	158	7	1.00	1,104	364	729

Total FI's	1,860	1,120	729
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Factors	Values
Number of retailers	478
Complaint Investigations - Cannabis	24
Cannabis Retailer Compliance Check	28
Cannabis Compliance Check Failure	2
Non RVP Member Support and Education	33%

Total Field Increments per FTE	4,220	4,220	4,220
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FTE's required	0.44	0.27	0.17
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Round	0.50	0.30	0.20
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Ten-Year Analysis

Bill Number 1641 HB	Title High-potency cannabis	Agency 195 Liquor and Cannabis Board
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

No Cash Receipts

 Partially Indeterminate Cash Receipts

 Indeterminate Cash Receipts

Estimated Cash Receipts

Name of Tax or Fee	Acct Code												
Total													

Biennial Totals

Narrative Explanation (Required for Indeterminate Cash Receipts)

Section 1(1)(a): There is levied and collected a cannabis excise tax equal to:

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Ten-Year Analysis

Bill Number 1641 HB	Title High-potency cannabis	Agency 195 Liquor and Cannabis Board
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Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 2/1/2023 5:23:38 pm
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 2/1/2023 5:23:38 pm
OFM Review:	Phone:	Date: