Multiple Agency Fiscal Note Summary

Bill Number: 1650 HB	**Title:** Cannabis prohibitions

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

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Local Gov. Total						

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 Secretary of State	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Department of Revenue	Fiscal note not available											
Liquor and Cannabis Board	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total $	0.0	0	0	0	0.0	0	0	0	0.0	0	0	0

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of the Secretary of State	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	Fiscal note not available								
Liquor and Cannabis Board	.0	0	0	.0	0	0	.0	0	0
Total $	0.0	0	0	0.0	0	0	0.0	0	0

FNPID 66399

FNS029 Multi Agency rollup

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Breakout

NONE

Prepared by: Gwen Stamey, OFM	Phone: (360) 790-1166	Date Published: Preliminary

FNPID 66399

FNS029 Multi Agency rollup

Individual State Agency Fiscal Note

Bill Number: 1650 HB	Title: Cannabis prohibitions	Agency: 085-Office of the Secretary of State

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: 01/27/2023
Agency Preparation:	Mike Woods	Phone: (360) 704-5215	Date: 01/30/2023
Agency Approval:	Mike Woods	Phone: (360) 704-5215	Date: 01/30/2023
OFM Review:	Gwen Stamey	Phone: (360) 790-1166	Date: 01/30/2023

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 cities, towns, and counties to hold local elections proposing the prohibition of the siting of cannabis retail businesses. The elections must take place on a date after July 1, 2023.

Section 2 provides the state of Washington has the sole authority to regulate cannabis retailers, with certain exceptions.

Section 6 modifies language regarding the legislature's appropriations of funds for the administration of this act.

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.

Indeterminate, but minimal fiscal impact to the Office of the Secretary of State (OSOS). The impact would be function of how many local jurisdictions choose to initiate an ordinance by submitting a ballot proposition at a general election. OSOS has no way to estimate if and when this could happen.

This bill allows a city, town, or county to place a measure on the ballot. The state would not be responsible for a share of the costs for that measure. The local measure being on the ballot could impact the proportional share for which the state is responsible, however it would likely reduce the state share and increase the city, town, or county share.

There are other possible impacts including increasing the cost of the voters' pamphlet. And there are scenarios that could lead to a second page of a ballot it the combination of races and measures cannot fit onto one page. However, those costs are unlikely to be directly related to the addition of a single measure on the ballot.

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

Bill Number: 1650 HB	Title: Cannabis prohibitions	Agency: 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:
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: 01/27/2023
Agency Preparation:	Colin O Neill	Phone: (360) 664-4552	Date: 01/31/2023
Agency Approval:	Aaron Hanson	Phone: 360-664-1701	Date: 01/31/2023
OFM Review:	Amy Hatfield	Phone: (360) 280-7584	Date: 01/31/2023

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): Beginning July 1, 2027, a city, town, or county may prohibit the siting or operation of any business or facility to be used for the retail sale of cannabis products under this chapter only if:
(a) The city, town, or county initiates an ordinance by submitting a ballot proposition at a general election prohibiting the siting or operation of any business or facility to be used for the retail sale of cannabis under this chapter;
(b) A majority of the voters of the county, city, or town voting in the election approve the prohibition; and
(c) The election is held on a date after July 1, 2023.

Section 2:
(1) Except as provided in section 1 of this act and in subsections (2) through (4) of this section, the state of Washington has sole authority to regulate cannabis retailers licensed under this chapter and counties, cities, and towns are preempted from engaging in the regulation of cannabis retailers.
(2) Cities, towns, and counties retain their existing zoning authority regarding the siting of cannabis retailers.
(3)(a) Except as provided in section 1 of this act and in (b) of this subsection, counties, cities, and towns may not enact any ordinance, regulation, or land use plan that has the effect of precluding the siting or operation of cannabis retailers within their jurisdictional boundaries.
(b) A city, town, or county that prohibits the siting and operation of any retail business within its jurisdictional boundaries may enact an ordinance or regulation that precludes the siting and operation of state cannabis businesses.
(5) Following the passage of an ordinance under section 1 of this act, the board may not issue a license under RCW 69.50.325(3) for the retail sale of cannabis with respect to a business that is either located or proposed to be located within an area subject to the ordinance.

Section 6(4): Until July 1, 2032, an amount equivalent to the total cannabis excise taxes generated by retail outlets in cities, towns, and counties that, on the effective date of this section, have a ban or moratorium on the operation or siting of cannabis retailers and have no cannabis retailers operating in their jurisdiction, and that, after the effective date of this section, authorize cannabis retail activity in accordance with section 1 of this act, must be disbursed annually as follows:
(a) 50 percent of funds must be used to support substance abuse disorder prevention treatment services including development of best practices for programs and services; and
(b) 50 percent of funds must be used for cannabis research including research conducted by the University of Washington and Washington State University under subsection (1)(f) of this section.

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 6(4): Until July 1, 2032, an amount equivalent to the total cannabis excise taxes generated by retail outlets in cities, towns, and counties that, on the effective date of this section, have a ban or moratorium on the operation or siting of cannabis retailers and have no cannabis retailers operating in their jurisdiction, and that, after the effective date of this section, authorize cannabis retail activity in accordance with section 1 of this act, must be disbursed annually as follows:
(a) 50 percent of funds must be used to support substance abuse disorder prevention treatment services including development of best practices for programs and services; and
(b) 50 percent of funds must be used for cannabis research including research conducted by the University of Washington and Washington State University under subsection (1)(f) of this section.

Indeterminate impact to cash receipts. It is unknown what jurisdictions, if any, would choose to lift their existing bans, under which the provisions of this section would apply. Because of this, it is also unknown the impacts to cannabis tax distributions as described in this paragraph.

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 impact to the agency.

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.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1650 HB	**Title:** Cannabis prohibitions

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

[X] Cities: Cities choosing to conduct a vote to prohibit cannabis retailers.

[X] Counties: Same as above

[ ] Special Districts:

[X] Specific jurisdictions only: Code Cities

[ ] Variance occurs due to:

Part II: Estimates

[ ] No fiscal impacts.

[ ] Expenditures represent one-time costs:

[X] Legislation provides local option: Local governments may choose to conduct an election.

[X] Key variables cannot be estimated with certainty at this time: The number of local governments that choose to conduct an election to prohibit cannabis retailers.

Estimated revenue impacts to:

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

Estimated expenditure impacts to:

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

Part III: Preparation and Approval

Fiscal Note Analyst: Chelsea Mickel	Phone: 518-727-3478	Date: 02/02/2023
Leg. Committee Contact: Peter Clodfelter	Phone: 360-786-7127	Date: 01/27/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/02/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 02/03/2023

Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

This bill prevents local governments from prohibiting cannabis retail businesses in their jurisdiction after July 1, 2027, unless a majority of voters in the jurisdiction voting in a general election vote to approve an ordinance prohibiting cannabis retailers.

Section 1 states that after July 1, 2027, a city, town, or county may not prohibit the siting or operation of any business or facility to be used for the retail sale of cannabis products unless:
--The city, town, or county initiates an ordinance by submitting a ballot proposition at a general election prohibiting the siting or operation of any business or facility to be used for the retail sale of cannabis under this chapter;
--A majority of the voters of the county, city, or town voting in the election approve the prohibition, and the election is held on a date after July 1, 2023.

If a county enacts an ordinance, the ordinance may apply only to unincorporated areas of the county. No voters within the boundaries of an incorporated city or town may participate in a county election under this section.

This bill establishes that the state has sole authority to regulate licensed cannabis retailers. Local governments are prevented from engaging in the regulation of cannabis retailers other than enacting voter-approved bans on cannabis retailers.

Except by voter approval, counties, cities, and towns may not enact any ordinance, regulation, or land use plan that has the effect of prohibiting the siting or operation of cannabis retailers within their jurisdictional boundaries. However, a city, town, or county that prohibits the siting and operation of any retail business within its jurisdictional boundaries may enact an ordinance or regulation that precludes the siting and operation of state cannabis businesses.

From the date that the bill is enacted, until July 1, 2032, cannabis excise taxes revenues generated by retail outlets in local government jurisdictions that currently have a ban on cannabis retailers, that then authorize cannabis retailors after the passage of this bill, must be disbursed annually as follows:
--50% of funds must be used to support substance abuse disorder prevention treatment services including development of best practices for programs and services; and
--50% of funds must be used for cannabis research including research conducted by the University of Washington and Washington State University.

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

This bill would have indeterminate expenditure impacts on local governments. Local governments would incur costs associated with placing a retail cannabis ban measure on the ballot and associated elections costs.

Jurisdictions that currently do not allow cannabis retail would face an indeterminate loss in cannabis excise tax revenues if they chose to vote to approve an ordinance prohibiting cannabis retailers after the effective date of this legislation.

COSTS ASSOCIATED WITH ADOPTING AN ORDINANCE:
This bill provides a local option for towns, cities and counties to vote to place an election measure to the voters in that jurisdiction to ban cannabis retailers. Currently, 84 cities and six counties in Washington prohibit cannabis retail via voting and pubic ordinance. Jurisdictions choosing to conduct an election to ban retail cannabis would incur costs to place the measure on the ballot. This approval is anticipated to occur through legislative action and may range in costs that are similar to a simple ordinance adoption to the costs of a complex ordinance with hearing. For discussion purposes, the Local Government Fiscal Note Program's cost models put the cost of adopting a simple ordinance with a public hearing is $2,958

while adoption of a complex ordinance with hearing is estimated to be approximately $9,492.

If all 90 jurisdictions (84 cities and six counties) elected to place such a measure to their voters, the action to place the measure on the ballot could range from $266,220 to $854,280 (90 x $2,958 = $266,220; 90 x $9,492 = $854,280).

ELECTION COSTS:
The legislation could cause indeterminate increased expenditures to local jurisdictions that choose to place a ban on cannabis retail to the general ballot, and to the county election office in which the local jurisdiction is located, due to a potential increase in election costs.

County auditor election departments conduct elections on behalf of special taxing districts, cities, counties, state government, and federal government. If a local jurisdiction added a ban on cannabis retail to the ballot, the county election department could see an initial increase in election costs if adding the ban on cannabis retail increased printing costs due to longer ballots or for more pages in the voter pamphlets.

However, each county bills its local jurisdictions for a prorated share of the cost of each election. Election costs include both fixed and variable costs related to a specific election such as: salary/wage/benefits, supplies, envelopes, ballots, voter pamphlets, training, and copiers. A local jurisdiction's election costs vary significantly depending on how many other jurisdictions share the specific election date. According to the Association of Washington Cities (AWC). It is unknown which cities would choose to vote to keep their marijuana prohibitions and, of those, which cities' bans would hold after a citizen vote. The amount that cities would need to spend on taking this to the voters is indeterminate.

Nonetheless, any jurisdiction that added a ban on retail cannabis to the general election ballot would pay their proportionate share of election costs for adding the ordinance. Because the cost impact of adding a measure to a general election ballot cannot be predicted in advance, the legislation's cost impact to county election offices and to local jurisdictions that add a measure to the general ballot are indeterminate.

For illustrative purposes only, based upon recent case studies, general election costs range from $0.20 per voter to almost $1.50 per voter. November general elections have the most participating jurisdictions so the cost to individual jurisdictions is typically lower.

Due to the uncertainties regarding election costs, expenditure impacts for local governments would be indeterminate.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

This bill would have indeterminate revenue impacts on local governments.

The legislation could result in indeterminate increases in county revenue directly proportionate to county auditors' increased costs to print ballots and voter pamphlets. Local jurisdictions that add a measure to the general ballot would increase the information that county auditors print on ballots and in voter pamphlets, potentially increasing county auditors' printing costs. Election costs, including ballots and voter pamphlets, are apportioned to all jurisdictions participating in the election. Therefore, county revenue received from local jurisdictions for their proportionate share of election costs would be increased in direct proportion to the auditor's increased printing costs, if any. However, the exact revenue increase cannot be determined in advance. As a result counties could experience an indeterminate increase in revenue if a local jurisdiction adds a measure to the general ballot.

REVENUE CHANGES ASSOCIATED WITH EXCISE TAX REAPPORTIONMENT:
It is unknown how this legislation would affect revenues because it is not known how many jurisdictions would choose to vote to approve an election measure prohibiting cannabis retailers. According to AWC, the preemption in Section 2 would likely affect city revenue. A regulatory license, like Seattle's marijuana regulatory license, would be preempted by this section, thus generating a loss of that income to the city. There is not a definitive list of those jurisdictions nor a clear idea

of how much money these regulatory licenses generate for cities. It is uncertain where the excise tax deferral money would be reallocated from, given that the money is already allocated 100% under the current formula. The state currently imposes a 37% cannabis excise tax at the time of retail sale. Cannabis sales are often subject to retail sales taxes, and cannabis businesses are subject to business and occupation taxes. Revenue from the excise tax is shared with cities, towns and counties. Some of the revenues are distributed per capita, and the rest is distributed upon actual cannabis retail sales. Jurisdictions that prohibit cannabis processors, producers, or retailers are not eligible for per capita distributions. RCW 69.50.540 does not list or define any restrictions that might apply to how these funds are to be used by local governments. The Washington State Auditor's Office tracks Marijuana Excise Tax Distribution, and found that local government revenues from the excise tax amounted in $14,821,645, however, the reported revenues are not audited. Many jurisdictions that prohibit the sale of cannabis do not report any revenues from the cannabis excise tax.

The state currently imposes 37% cannabis excise tax at the time of retail sale. Cannabis sales are often subject to retail sales taxes, and cannabis businesses are subject to business and occupation taxes. Revenue from the excise tax is shared with cities, towns and counties. Some of the revenues are distributed per capita, and the rest is distributed upon actual cannabis retail sales. This bill requires jurisdictions that prohibit cannabis retailers and have no cannabis retailers operating in their jurisdiction to reapportion the excise tax revenues generated by cannabis retailors. Under current statutes, jurisdiction that prohibit cannabis processors, producers, or retailers are not eligible for per capita distributions. Because of this, the total amount of cannabis excise taxes generated that would need to be reapportioned would be difficult to track. Due to the aforementioned uncertainties, this legislation would have indeterminate impacts on local government revenues

SOURCES
Association of Washington Cities
Bill Hearing, HB 1650, Regulated Substances and Gaming Committee, January 31, 2023
Department of Commerce
House Bill Analysis, HB 1650, Regulated Substances & Gaming Committee, (2023)
Local Government Fiscal Note Program Unit Cost Model, (2023)
Municipal Research Services Center
Office of the Washington State Auditor
Revised Code of Washington, RCW 69.50.535; RCW 69.50.540
Washington State Association of Counties