

Multiple Agency Fiscal Note Summary

Bill Number: 5546 S SB	Title: Cannabis commission
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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	0	0	1,179,360	0	0	1,415,232	0	0	1,415,232
Total \$	0	0	1,179,360	0	0	1,415,232	0	0	1,415,232

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	2.0	0	0	0	1.9	0	0	0	1.9	0	0	0
Department of Agriculture	.1	0	0	0	.1	0	0	0	.1	0	0	0
Total \$	2.1	0	0	0	2.0	0	0	0	2.0	0	0	0

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Liquor and Cannabis Board	.0	0	0	.0	0	0	.0	0	0
Department of Agriculture	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

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Prepared by: Matthew Hunter, OFM	Phone: (360) 529-7078	Date Published: Final 2/17/2023
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Individual State Agency Fiscal Note

Bill Number: 5546 S SB	Title: Cannabis commission	Agency: 195-Liquor and Cannabis Board
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
WA State Cannabis Commission-Non-Appropriated NEW-6	471,744	707,616	1,179,360	1,415,232	1,415,232
Total \$	471,744	707,616	1,179,360	1,415,232	1,415,232

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	2.0	1.9	2.0	1.9	1.9
Account					
Total \$					

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 02/15/2023
Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 02/16/2023
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 02/16/2023
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/17/2023

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: The legislature finds that the Washington state liquor and cannabis board exists to promote safe communities and public safety. However, there is no agency to oversee research and education of the cannabis industry within the state. The legislature declares creation of a Washington state cannabis commission for the public purpose of administering the revenue of the commission will materially advance the producing and processing of cannabis, improve sustainability in the producing and processing sectors, and thereby the public interest.

Section 2(1), Section 2(2): Defines active cannabis producer and active cannabis producer/ processor as such licensees having paid any amount in business and occupation tax to DOR in the calendar year prior to the date of a referendum.

Section 3: This chapter and the rules adopted under this chapter are for the purpose of fostering responsible and orderly agricultural production of cannabis. The legislature has granted authority to other state agencies to regulate the cannabis industry and nothing in this chapter should be interpreted to conflict with or supersede that other overriding regulatory authority.

(1): Provides that, upon receipt of a petition containing the signatures of five active cannabis producers or active cannabis producer/processors, the WSDA Director must conduct a referendum of active producers and producer/processors within 60 days of the petition's receipt.

(1b): Requires WSDA to create a list of active producers and producer/ processors eligible to vote in the referendum in collaboration with LCB and DOR.

(2): States that a referendum is approved if at least 51 percent of the referendum's participants vote affirmatively; and 30 percent of the active producers and 30 percent of the active producer/processors have been represented in the referendum.

(3): Provides that the Commission is not established, assessments are not collected, and the Director must not take further action to implement or enforce the chapter unless and until the requisite assent has been given in a referendum.

Section 6(20): The Commission may obtain from the board a list of the names and addresses of producers, processors, producer/processors, and retailers, and such other available data from the state as requested by the commission with respect to the discharge of the duties of the commission.

Section 6(23): The Commission may possess cannabis products for the limited purposes of section 5 of this act (research, education, training).

Sec. 8 (1): The commission shall consist of 13 voting members: Eight producer or producer/processor members from the districts; one statewide at-large producer or producer/processor member; one statewide tier one or equally small producer or producer/processor member; one statewide tier two or equally medium producer or producer/processor member; one statewide tier three or equally large producer or producer/processor member; and the director.

Section 10: The commission shall deposit moneys collected under this chapter and section 15 of this act in a separate account in the name of the commission in any bank that is a state depository.

Section 11: The fee levied under section 15 of this act constitutes a personal debt of every person charged or who otherwise owes the fee, and the fee is due and payable to the commission.

Section 12. (1) Financial and commercial information and records submitted to either the board or the commission to administer this chapter may be shared between the board and the commission.

Section 14: Costs incurred by the board for activities under this chapter must also be fully reimbursed by the commission. Costs incurred under this section must include initial estimates of work and line item accounting of the costs incurred.

Sec. 15. A new section is added to chapter 69.50 RCW to read as follows:

(1) To provide for permanent funding of the cannabis commission, agricultural commodity assessments must be levied by the board on cannabis producers and cannabis producer/processors as follows:

(a) Beginning on October 31, 2023, the assessment on each producer licensee is 0.29 percent of all sales revenues conducted by the producer license.

(b) Beginning on October 31, 2023, the assessment on each producer/processor licensee is 0.145 percent of all sales revenues conducted by the processor license.

(3) Requires that changes to the assessment must be submitted for approval by referendum and a majority of active cannabis producers and active cannabis processors subject to the assessment approve the modification.

(4) Assessments collected under this section must be disbursed quarterly to the Washington state cannabis commission for use in carrying out the purposes of this act.

(5) Until October 31, 2028, the assessments on producers and producer/processors in this section do not apply to a producer or producer/processor who is licensed through the cannabis social equity program created under this chapter.

CHANGES MADE BY THE SUBSTITUTE:

- Section 2(1), Section 2(2): Defines active cannabis producer and active cannabis producer/ processor as such licensees having paid any amount in business and occupation tax to DOR in the calendar year prior to the date of a referendum.
- Section 3(1): Provides that, upon receipt of a petition containing the signatures of five active cannabis producers or active cannabis producer/processors, the WSDA Director must conduct a referendum of active producers and producer/processors within 60 days of the petition's receipt.
- Section 3(1b): Requires WSDA to create a list of active producers and producer/ processors eligible to vote in the referendum in collaboration with LCB and DOR.
- Section 3(2): States that a referendum is approved if at least 51 percent of the referendum's participants vote affirmatively; and 30 percent of the active producers and 30 percent of the active producer/processors have been represented in the referendum.
- Section 3(3): Provides that the Commission is not established, assessments are not collected, and the Director must not take further action to implement or enforce the chapter unless and until the requisite assent has been given in a referendum.
- Section 15(3) Maintains the initial rates of assessment but requires assessment modifications to be submitted for approval by referendum.

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.

Sec. 15. A new section is added to chapter 69.50 RCW to read as follows:

(1) To provide for permanent funding of the cannabis commission, agricultural commodity assessments must be levied by the board on cannabis producers and cannabis producer/processors as follows:

(a) Beginning on October 31, 2023, the assessment on each producer licensee is 0.29 percent of all sales revenues conducted by the producer license.

(b) Beginning on October 31, 2023, the assessment on each producer/processor licensee is 0.145 percent of all sales revenues conducted by the processor license.

(2) Assessments collected under this section must be disbursed quarterly to the Washington state cannabis commission for use in carrying out the purposes of this act.

(3) Until October 31, 2028, the assessments on producers and producer/processors in this section do not apply to a producer or producer/processor who is licensed through the cannabis social equity program created under this chapter.

Assumptions:

Producer-only licenses: 168

Producer/processor licenses: 868

An analysis of producer and producer/processor sales gives an estimate of \$707,616 in assessments annually.

Producer estimated annual sales: $\$22,074,342 \times 0.29\% = \$64,016$ in assessments

Producer/processor estimated annual sales: $\$443,861,937 \times 0.145\% = \$643,600$ in assessments

The assessments take effect October 31st, 2023, so the first year's revenues are calculated on 8 months of activity rather than 12 months. $8/12 \times \$707,616 = \$471,744$.

Section 15(3) addresses an exemption on the assessments for social equity producers and producer/processors until October 32, 2028. This analysis does not make any assumptions regarding what sales and assessments might look like for these licensees.

Note: these cash receipts do not take into account the reimbursements due to the Board for costs to administer the assessments. The Board's expenses are outlined in Part II.C of this fiscal note.

FY24: Assessments of \$471,744 less Board expenses of \$190,810 = \$280,934 net assessment revenue.

FY25+: Assessments of \$707,616 less Board expenses of \$167,136 = \$540,480 net assessment 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.

ASSUMPTIONS:

Producer-only licenses: 168

Producer/processor licenses: 868

Section 14: Costs incurred by the board for activities under this chapter must also be fully reimbursed by the commission. Costs incurred under this section must include initial estimates of work and line item accounting of the costs incurred. These reimbursements are reflected in the table as object S.

FINANCE DIVISION:

Collecting the assessments listed in Section 15 would have a workload impact on the Cannabis Tax & Fee unit. This includes an assumption that the assessment fee would be collected monthly.

1.5 FTE Fiscal Analyst 2 - \$126,621/yr (\$122,466 salary/benefits, \$4,155 in associated costs). Onetime costs in FY24 of \$12,210 for equipment purchases.

0.3 FTE Fiscal Analyst 3 - \$28,550/yr (\$27,719 salary/benefits, \$831 in associated costs).

FY24 only:

0.2 FTE Fiscal Analyst 5 - \$22,929/yr (\$22,375 salary/benefits, \$554 in associated costs).

FY25+:

0.1 FTE Fiscal Analyst 5 - \$11,465/yr (\$11,188 salary/benefits, \$277 in associated costs).

INFORMATION TECHNOLOGY DIVISION:

There will be increased software licensing costs to the agency's excise tax system due to increased licenses. \$500/year ongoing.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	2.0	1.9	2.0	1.9	1.9
A-Salaries and Wages	122,492	114,202	236,694	228,404	228,404
B-Employee Benefits	50,068	47,171	97,239	94,342	94,342
C-Professional Service Contracts					
E-Goods and Other Services	5,970	5,497	11,467	10,994	10,994
G-Travel					
J-Capital Outlays	12,280	266	12,546	532	532
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements	(190,810)	(167,136)	(357,946)	(334,272)	(334,272)
T-Intra-Agency Reimbursements					
9-					
Total \$	0	0	0	0	0

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Fiscal Analyst 2	57,324	1.5	1.5	1.5	1.5	1.5
Fiscal Analyst 3	66,420	0.3	0.3	0.3	0.3	0.3
Fiscal Analyst 5	82,896	0.2	0.1	0.2	0.1	0.1
Total FTEs		2.0	1.9	2.0	1.9	1.9

III. D - Expenditures By Program (optional)

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
Finance Division (020)	190,310	166,636	356,946	333,272	333,272
Information Technology Division (070)	500	500	1,000	1,000	1,000
Total \$	190,810	167,136	357,946	334,272	334,272

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.

Rules will be needed regarding the assessments in Section 15.

Individual State Agency Fiscal Note

Bill Number: 5546 S SB	Title: Cannabis commission	Agency: 495-Department of Agriculture
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1	0.1	0.1	0.1	0.1
Account					
Total \$					

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 02/15/2023
Agency Preparation: Megan Finkenbinder	Phone: 360-902-2043	Date: 02/17/2023
Agency Approval: Jeannie Brown	Phone: 360-902-1989	Date: 02/17/2023
OFM Review: Matthew Hunter	Phone: (360) 529-7078	Date: 02/17/2023

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.

SSB5446 is the substitute bill to SB5546 which is related to establishing a state cannabis commission, amending RCW 41.06.070 and adding new chapters to RCW 69.50 and Title 15.

Changes between bill versions are as follows:

Section 2 - (formerly Section 4 in SB 5546) definitions were added for cannabis producers, processors, and products. Definitions were added for Districts to identify geographical locations as it relates to this bill.

New Section 3 - (1) requires Department of Agriculture (WSDA) Director, to determine participation in the commission by collecting a petition of 5 active cannabis producers and processors and conduct a referendum of those petitioners.

Section 4 (formerly Section 5 in SB 5546) requires the WSDA Director, within 60 days of determining that requisite assent has been given in a referendum, must establish the Washington state cannabis commission.

Section 5 (formerly Section 6 in SB 5546) modified to add commission authorities and responsibilities.

Section 7 (formerly Section 8 in SB 5546) modified commission composition.

New Section 8 - required WSDA Director to select initial commission members.

New workload that has revenue or expenditure impact: There will be an additional cost to conduct a referendum process and establish the commission within 60 days of the bill passing.

Related costs incurred by WSDA are reimbursed by the commission so there is no net fiscal impact to WSDA.

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 15 (1) states that assessments will be levied by the board (Liquor Cannabis Board) on cannabis producers and processors. WSDA is not responsible for collecting the assessments under this bill.

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.

NEW

One time in FY24

Referendum process costs and supplies, printing and distribution = \$1,700

No change from prior fiscal note:

Ongoing

Commodity commission program administrator (Commerce Specialist 5, 64/L), .05 FTE, 100 hours, salaries, benefits, supplies, and facilities = \$6,655/year

Printing costs and supplies associated with board elections = \$1,755/year (based on number producers and processors)

Travel costs associated with attending 2 public hearings, \$270 each = \$540/year

One time in FY24:

Rulemaking costs, supplies, printing, and distribution = \$3,140 one time

One time FY24-FY26

Attorney general costs associated with commission orientation = \$2,800/year

Updated costs with SSB impacts:

Total costs in FY24 = \$16,590

Total costs in FY25-FY26 = \$11,750/year

Total costs FY27 and after = \$8,950/year

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1	0.1	0.1	0.1	0.1
A-Salaries and Wages	4,400	4,400	8,800	8,800	8,800
B-Employee Benefits	1,600	1,600	3,200	3,200	3,200
C-Professional Service Contracts					
E-Goods and Other Services	10,050	5,210	15,260	7,620	4,820
G-Travel	540	540	1,080	1,080	1,080
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements	(16,590)	(11,750)	(28,340)	(20,700)	(17,900)
T-Intra-Agency Reimbursements					
9-					
Total \$	0	0	0	0	0

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Commerce Specialist 5 (64/L)	91,524	0.1	0.1	0.1	0.1	0.1
Total FTEs		0.1	0.1	0.1	0.1	0.1

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.

While this provision does not require WSDA to adopt or repeal /revise existing rules, the WSDA commodity commission program administrator will work closely with the cannabis commission to adopt administrative rules.



Multiple Agency Ten-Year Analysis Summary

Bill Number 5546 S SB	Title Cannabis commission
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This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

Estimated Cash Receipts

	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	2024-33 TOTAL
Liquor and Cannabis Board	471,744	707,616	707,616	707,616	707,616	707,616	707,616	707,616	707,616	707,616	6,840,288
Department of Agriculture	0	0	0	0	0	0	0	0	0	0	0
Total	471,744	707,616	707,616	707,616	707,616	707,616	707,616	707,616	707,616	707,616	6,840,288



Ten-Year Analysis

Bill Number 5546 S SB	Title Cannabis commission	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>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

An analysis of producer and producer/processor sales gives an estimate of \$707,616 in assessments annually.

Producer estimated annual sales: $\$22,074,342 \times 0.29\% = \$64,016$ in assessments
 Producer/processor estimated annual sales: $\$443,861,937 \times 0.145\% = \$643,600$ in assessments

The assessments take effect October 31st, 2023, so the first year's revenues are calculated on 8 months of activity rather than 12 months. $8/12 \times \$707,616 = \$471,744$.

Section 15(3) addresses an exemption on the assessments for social equity producers and producer/processors until October 32, 2028. This analysis does not make any assumptions regarding what sales and assessments might look like for these licensees.

Note: these cash receipts do not take into account the reimbursements due to the Board for costs to administer the assessments. The Board's expenses are outlined in Part II.C of this fiscal note.

FY24: Assessments of \$471,744 less Board expenses of \$190,810 = \$280,934 net assessment revenue.
 FY25+: Assessments of \$707,616 less Board expenses of \$167,136 = \$540,480 net assessment revenue.

Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 2/16/2023 3:11:31 pm
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 2/16/2023 3:11:31 pm
OFM Review:	Phone:	Date:



Ten-Year Analysis

Bill Number 5546 S SB	Title Cannabis commission	Agency 495 Department of Agriculture
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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

Name of Tax or Fee	Acct Code											

Agency Preparation: Megan Finkenbinder	Phone: 360-902-2043	Date: 2/17/2023 3:24:49 pm
Agency Approval: Jeannie Brown	Phone: 360-902-1989	Date: 2/17/2023 3:24:49 pm
OFM Review:	Phone:	Date: