

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5546 E S SB	<b>Title:</b> 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
<b>Total \$</b>	<b>0</b>	<b>0</b>	<b>1,179,360</b>	<b>0</b>	<b>0</b>	<b>1,415,232</b>	<b>0</b>	<b>0</b>	<b>1,415,232</b>

## 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
<b>Total \$</b>	<b>2.1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 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
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Breakout

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<b>Prepared by:</b> Matthew Hunter, OFM	<b>Phone:</b> (360) 529-7078	<b>Date Published:</b> Final 3/17/2023
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5546 E S SB	<b>Title:</b> Cannabis commission	<b>Agency:</b> 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
<b>Total \$</b>	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
<b>Account</b>					
<b>Total \$</b>					

### 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:	Phone:	Date: 03/14/2023
Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 03/15/2023
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 03/15/2023
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 03/15/2023

## 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 licenses who reported gross income that is subject to tax under chapter 82.04 RCW in the calendar year before the date of a referendum under section 3 of this act.

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 40 percent of the active producers and 40 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).

Section 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 at least 60 percent of active cannabis producers and active cannabis processors subject to the assessment approve the modification and at least 40 percent of the active cannabis producers and producer/processors must have been represented.

(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.

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CHANGES MADE BY THE ENGROSSED SUBSTITUTE:

- Sections 2(1) & 2(2) Amends the definitions of "active cannabis producer" and "active cannabis producer/processor" to refer to a respective licensee who reported gross income that is subject to the business and occupation tax in the calendar year before the date of a referendum.
- Section 3(2) For a referendum establishing the commission and initial assessments, at least 51 percent of the participants must vote affirmatively (same requirement), and at least 40 percent of the active cannabis producers and producer/processors were represented (rather than 30 percent of each)
- Section 3(6) Allows the Washington state department of agriculture (WSDA) director to conduct voting on a referendum by electronic means, paper ballots, or both.
- Section 5(2a) Requires the commission to contract for staff support until assessment collections equal at least \$1,000,000.
- Section 8(4) Requires the WSDA director, when making initial and replacement appointments, to give priority to persons representing the diverse communities of the state to maintain a balanced representation of members where practicable.
- Section 15(3) for assessment modifications, at least 60 percent of the participants vote affirmatively (rather than a majority), and at least 40 percent of the active cannabis producers and producer/processors must have been represented (rather than 30 percent of each).

**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.

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### 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).

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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-					
<b>Total \$</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**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
<b>Total FTEs</b>		<b>2.0</b>	<b>1.9</b>	<b>2.0</b>	<b>1.9</b>	<b>1.9</b>

**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
<b>Total \$</b>	<b>190,810</b>	<b>167,136</b>	<b>357,946</b>	<b>334,272</b>	<b>334,272</b>

**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

<b>Bill Number:</b> 5546 E S SB	<b>Title:</b> Cannabis commission	<b>Agency:</b> 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
<b>Account</b>					
<b>Total \$</b>					

### 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:	Phone:	Date: 03/14/2023
Agency Preparation: Megan Finkenbinder	Phone: 360-902-2043	Date: 03/17/2023
Agency Approval: Jeannie Brown	Phone: 360-902-1989	Date: 03/17/2023
OFM Review: Matthew Hunter	Phone: (360) 529-7078	Date: 03/17/2023

## 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.*

ES SB5446 is the engrossed substitute bill to SSB5546 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 3 updates includes requirements that WSDA conduct a referendum to establish the Washington state cannabis commission upon receipt of a petition.

Subsection 2 (b) adjusts the percentage to determine an assent in a referendum from 30% to 40% for all active Cannabis producers and 40% of all active Cannabis producer/processors.

Subsection 6 Allows the WSDA director the option to consider voting on a referendum under this chapter by electronic means, paper ballots, or both. Currently, WSDA conducts referendum voting for all commodity commissions. This process is done via paper ballot for all commissions. The department has no plans to implement an electronic voting system.

There are no changes in the engrossed bill with fiscal impacts.

Any 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.*

ES SB5446 is the engrossed substitute bill to SSB5546 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 3: Updates in ESSB 5546 - Upon receipt of a petition, requires the department conduct a referendum to establish the Washington state cannabis commission.

Subsection 2 (b) adjusts the percentage to determine an assent in a referendum to 40% for all active cannabis producers and 40% of all active cannabis producer/processors.

Subsection 6 Allows the director the option to consider voting on a referendum under this chapter by electronic means, paper ballots, or both. Currently, the WSDA conducts referendum voting for all commodity commissions. This process is done via paper ballot for all commissions. The department has no plans to implement an electronic voting system.

There are no changes in the engrossed bill with fiscal impacts.

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

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 No change from prior fiscal note:

One time in FY24

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

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-					
<b>Total \$</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### 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
<b>Total FTEs</b>		<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>

**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.