

Multiple Agency Fiscal Note Summary

Bill Number: 5367 E 2S SB AMH RSG H1678.2	Title: Products containing THC
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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
Department of Agriculture	0	0	(129,600)	0	0	(129,600)	0	0	(129,600)
Department of Agriculture	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.								
Total \$	0	0	(129,600)	0	0	(129,600)	0	0	(129,600)

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	1.4	0	0	400,528	1.0	0	0	265,468	1.0	0	0	265,468
Washington State Patrol	.0	387,500	387,500	387,500	.0	136,000	136,000	136,000	.0	136,000	136,000	136,000
Washington State Patrol	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.											
Department of Health	Fiscal note not available											
Department of Agriculture	.0	0	0	(128,498)	.0	0	0	(129,600)	.0	0	0	(129,600)
Total \$	1.4	387,500	387,500	659,530	1.0	136,000	136,000	271,868	1.0	136,000	136,000	271,868

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
Washington State Patrol	.0	0	0	.0	0	0	.0	0	0
Department of Health	Fiscal note not available								
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

Prepared by: Amy Hatfield, OFM	Phone: (360) 280-7584	Date Published: Preliminary 3/31/2023
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Individual State Agency Fiscal Note

Bill Number: 5367 E 2S SB AMH RSG H1678.2	Title: Products containing THC	Agency: 195-Liquor and Cannabis Board
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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	1.5	1.3	1.4	1.0	1.0
Account					
Dedicated Cannabis Account-State 315-1	228,973	171,555	400,528	265,468	265,468
Total \$	228,973	171,555	400,528	265,468	265,468

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: Matt Mazur-Hart	Phone: 360-786-7139	Date: 03/26/2023
Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 03/30/2023
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 03/30/2023
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 03/31/2023

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(8): Adds a definition of the term "hemp consumable" to hemp statutes. Defines the term as a product that is sold or provided to another person, that is: (a) Made of hemp; (b) not a cannabis product; and (c) intended to be consumed or absorbed inside the body by any means, including inhalation, ingestion, or insertion.

Section 1(10): strikes reference to Delta-9 in the definition of "postharvest test".

Section 2(d): The definition of "cannabis" is rewritten for clarity.

Section 2(h): The definition of "cannabis products" is amended to clarify that cannabis products include any product intended to be consumed or absorbed inside the body, with any detectable amount of THC. "Cannabis products" also includes any product containing only THC content. The term does not include cannabis health and beauty aids. Excludes products that are approved by the United States Food and Drug Administration from the definition of the term "cannabis products" in the UCSA.

Section 2(uu): The definition of THC concentration is modified to eliminate reference to Delta-9 and add "including any hydrogenated or structural isomer forms of THC"

Section 2(yy): The definition of "package" is added, meaning a container that has a single unit or group of units as defined in this section.

Section 2(zz): The definition of "unit" is added, meaning "an individual consumable item within a package of one or more consumable items in solid, liquid, gas, or any form intended for human consumption."

Section 3(2): licensed cannabis producers and processors may use a CBD product, provided that the CBD product is not cannabis, or a cannabis product or synthetic cannabinoid. Reference to the THC level of 0.3% or less is stricken.

Section 5: states that "Except as otherwise provided in this chapter, no person may manufacture, sell or distribute cannabis, cannabis concentrates, useable cannabis, or cannabis-infused products, or any cannabis products without a valid license issued by the board or pharmacy quality assurance commission. Any person performing any act requiring a license under this title, without having in force an appropriate and valid license issued to the person, is in violation of this chapter." Prohibits the production, processing, manufacturing, or sale of any cannabinoid that is synthetically derived or completely synthetic, except for products approved by the United States Food and Drug Administration.

Section 6: Provides that nothing in the act shall be construed to require any agency to purchase a liquid chromatography-mass spectrometry instrument.

Section 7: Adds a severability clause.

CHANGES MADE BY THE STRIKING AMENDMENT TO THE ENGROSSED SECOND SUBSTITUTE:

Section 1(8): Adds a definition of the term "hemp consumable" to hemp statutes. Defines the term as a product that is sold or provided to another person, that is: (a) Made of hemp; (b) not a cannabis product; and (c) intended to be consumed or absorbed inside the body by any means, including inhalation, ingestion, or insertion.

Section 2(h)(1): Modifies the proposed change to the existing definition of the term "cannabis products" in the Uniform Controlled Substances Act (UCSA), so the definition would include any product intended to be consumed or absorbed inside the body by any means including inhalation, ingestion, or insertion, with any detectable amount of THC (instead of with any

amount of THC).

Section 2(h)(3): Excludes products that are approved by the United States Food and Drug Administration from the definition of the term "cannabis products" in the UCSA.

OLD Section 2(uu) DELETED: Removes the proposed new definition of "tetrahydrocannabinol" or "THC," and the proposed change to the existing definition of "isomer" in the UCSA in Section 2(cc).

Section 3(2b): Prohibits synthetic cannabinoids from being used as additives in cannabis products, instead of requiring the label on a cannabis product package to include the amount of any synthetically derived CBD in a product.

Section 5: Prohibits the production, processing, manufacturing, or sale of any cannabinoid that is synthetically derived or completely synthetic, except for products approved by the United States Food and Drug Administration.

Section 7: Adds a severability clause.

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.

Enforcement Division:

The LCB 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.

In FY24/25 there is a projected need for 1.3 FTE LCB Enforcement Officer 2 (LEO2). This is primarily driven by educational efforts needed to explain to the industry the legal changes. The secondary driver is complaints which are part of any legal change. In FY26 and future years the FTE requirement is reduced to 1.0 FTE as education efforts and complaints are projected to decline as the industry matures.

Please see the attached "Concerning THC regulation - Enforcement Field Increment Calculator.pdf" for workload calculations.

FY24/25 - 1.3 FTE LCB Enforcement Officer 2 - \$159,555/yr (\$138,937 salary/benefits, \$20,618 in associated costs). Onetime costs in FY24 of \$26,395 for equipment purchases.

FY26+ 1.0 FTE LCB Enforcement Officer 2 - \$122,734/yr (\$106,874 salary/benefits, \$15,860 in associated costs).

As part of a complaint investigation and officer observations the division will need to conduct THC tests to determine if a product meets the definition of cannabis. The cost of these tests is \$200 per test. In FY24 & FY25, the division is expected to test 60 samples (60 x \$200 = \$12,000). In FY26+ there is a predicted 8% decrease in sample demand and will fall to 50 test samples per year (50 x \$200 = \$10,000).

FY24/25: \$12,000
 FY26+: \$10,000/yr

INFORMATION TECHNOLOGY DIVISION

There will be one-time cost in staff hours to update the agency's internal systems in FY24.
 0.2 FTE IT App Development - Senior/Specialist - \$31,023 (\$30,809 salary/benefits, \$214 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	228,973	171,555	400,528	265,468	265,468
Total \$			228,973	171,555	400,528	265,468	265,468

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.5	1.3	1.4	1.0	1.0
A-Salaries and Wages	123,881	100,137	224,018	154,056	154,056
B-Employee Benefits	45,865	38,800	84,665	59,692	59,692
C-Professional Service Contracts					
E-Goods and Other Services	30,797	17,668	48,465	28,720	28,720
G-Travel	18,508	14,508	33,016	22,320	22,320
J-Capital Outlays	9,922	442	10,364	680	680
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	228,973	171,555	400,528	265,468	265,468

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
IT App Development - Senior/Specialist	118,716	0.2		0.1		
LCB Enforcement Officer 2	77,028	1.3	1.3	1.3	1.0	1.0
Total FTEs		1.5	1.3	1.4	1.0	1.0

III. D - Expenditures By Program (optional)

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
Enforcement Division (060)	197,950	171,555	369,505	265,468	265,468
Information Technology Division (070)	31,023		31,023		
Total \$	228,973	171,555	400,528	265,468	265,468

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

5367 SB: Concerning the regulation of products containing THC. (LCB Agency Request Legislation)

FY24 & FY25

Event	# of events	Time Factor	Staffing Factor	FI Total	Officer	Consultant
THC Contact	79	10	1	788	788	
License Support and Education	118	10	1.3	1,537	1,537	
Complaint Investigations Cannabis	60	20	1.3	1,560	1,560	
Premises Checks	118	9	1	1,383	1,383	

Total FI's	5,268	5,268	0
Total Field Increments per FTE	4,220	4,220	4,220
FTE's required	1.25	1.25	0.00
Round	1.30	1.30	0.00

Licenses

Factors	Values
Licenses	3940
THC Contact	2.0%
License Support and Education	3%
Complaint Investigations Cannabis	60
Liquor Premises Checks	3%
Lab cost	\$12,000

FY26+

Event	# of events	Time Factor	Staffing Factor	FI Total	Officer	Consultant
THC Contact	79	10	1	788	788	
License Support and Education	79	10	1.3	1,024	1,024	
Complaint Investigations Cannabis	50	20	1.3	1,300	1,300	
Liquor Premises Checks	118	9	1	1,064	1,064	

Total FI's	4,176	4,176	0
Total Field Increments per FTE	4,220	4,220	4,220
FTE's required	0.99	0.99	0.00
Round	1.00	1.00	0.00

Licenses

Factors	Values
Licenses	3940
THC Contact	2.0%
License Support and Education	2%
Complaint Investigations Cannabis	50
Premises Checks	3%
Lab cost	\$10,000

Individual State Agency Fiscal Note

Bill Number: 5367 E 2S SB AMH RSG H1678.2	Title: Products containing THC	Agency: 225-Washington State Patrol
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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
Account					
General Fund-State 001-1	319,500	68,000	387,500	136,000	136,000
Total \$	319,500	68,000	387,500	136,000	136,000

In addition to the estimates above, there are additional indeterminate costs 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: Matt Mazur-Hart	Phone: 360-786-7139	Date: 03/26/2023
Agency Preparation: Yvonne Ellison	Phone: 360-596-4042	Date: 03/31/2023
Agency Approval: Mario Buono	Phone: (360) 596-4046	Date: 03/31/2023
OFM Review: Tiffany West	Phone: (360) 890-2653	Date: 03/31/2023

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.

The proposed legislation does not directly change any duties or responsibilities of the Washington State Patrol (WSP), however, the proposed legislation makes changes to definitions that apply throughout Chapter 69.50 RCW. This is expected to result in changes to evidentiary standards that will impact the WSP.

New and existing definitions in the amended engrossed second substitute version with possible impact to the WSP include:

Section 2(d) "Cannabis" means all parts of the plant Cannabis, whether growing or not, with a THC concentration greater than 0.3 percent on a dry weight basis. Changes in the proposed legislation remove all references to seeds, resin, compounds, salt, derivatives, stalks, fiber, oil, cake, and hemp.

Section 2(e) "Cannabis concentrates" means products consisting wholly or in part of the resin extracted from any part of the plant Cannabis and having a THC concentration greater than ten percent. This definition is unchanged in the proposed legislation.

Section 2(h)(1) expands the current definition of "Cannabis products", usable cannabis, cannabis concentrates, and cannabis-infused products as defined in this section, and adds, including any product intended to be consumed or absorbed inside the body by any means including inhalation, ingestion, or insertion, with any detectable amount of THC, and any product containing only THC content. It also clarifies that it does not include cannabis health and beauty aids as defined in RCW 69.50.575 or products approved by the United States food and drug administration.

Section 2(k) "Cannabis-infused products" means products that contain cannabis or cannabis extracts, are intended for human use, are derived from cannabis as defined in subsection (d) of this section, and have a THC concentration no greater than ten percent. The term "cannabis-infused products" does not include either useable cannabis or cannabis concentrates. This definition is unchanged in the proposed legislation.

Section 2(uu) "THC concentration" means percent of tetrahydrocannabinol content of any part of the plant Cannabis, or per volume or weight of cannabis product, or the combined percent of tetrahydrocannabinol and tetrahydrocannabinolic acid in any part of the plant Cannabis regardless of moisture content. Changes in the proposed legislation remove references to delta-9 and dry weight.

Section 2(ww) "Useable cannabis" means dried cannabis flowers. The term "useable cannabis" does not include either cannabis-infused products or cannabis concentrates. This definition is unchanged in the proposed legislation.

Section 3(2) removes the limit of 0.3 percent THC level for a Cannabidiol (CBD) product used as an additive to enhance the CBD concentration of any product authorized for production, processing, and sale under the chapter and replaces it with the requirement that it is not cannabis or a cannabis product as defined in the chapter, and is not a synthetic cannabinoid.

New Section 6 states that nothing in the act shall be construed to require any agency to purchase a liquid chromatography-mass spectrometry instrument.

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.

NONE

II. C - Expenditures

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

The changes in the proposed legislation result in definitions with varying levels of THC. It is not clear how this may impact evidentiary standards, but if they only require determining the presence of THC to identify a substance as cannabis, there will be no impact to the current testing procedures of the WSP's Crime Laboratory Division (CLD). If however, the evidentiary standards require the identification of THC concentrations consistent with new and current definitions, including the new definition of THC Concentration in Section 2(uu), we will need to expand our concentration testing protocols to cover delta-9, delta-8, delta-10, and any other THC isomers and their acid versions. Our fiscal impact for this is detailed below.

We assume that our CLD will need to provide evidence testing that meets the new definitions of the proposed legislation to the extent scientifically possible. In order to accomplish this, each of our three Controlled Substance Laboratories would need to acquire a Liquid Chromatography-Mass Spectrometry (LC/MS) instrument capable of conducting the more detailed analysis required, at an estimated cost of \$600K per instrument. We assume that the intent of New Section 6 of the proposed legislation is that we not do so, therefore these costs are not included in the expenditure table. This means that we will be unable to fully meet the new evidentiary standards created.

In order to come as close as possible to the new evidentiary standards, it will be necessary to develop and validate new testing protocols and then train staff on these protocols. We expect the development of these new protocols will require two scientists 22 weeks to complete. This will be done by current staff, but as they will not be performing normal testing during this time we expect it will result in an increased need for overtime by other staff of approximately 2,320 hours in the first year. We also expect the new testing protocols will result in an increase of approximately 30 percent to the current per case processing time. Based on this, we expect to have an ongoing need of approximately 386 hours of overtime for the increase in testing time. Other expected costs include an increase in the cost of the consumable supplies needed to conduct the testing.

Our estimated costs are shown below.

First Year costs:

\$160,000 – Overtime Salaries

\$46,000 – Overtime Benefits

\$30,000 – Testing Consumables (increased for development and validation of testing protocols)

\$3,500 – Travel (for training)

\$80,000 – Agency Indirect Costs

Ongoing annual costs:

\$27,000 – Overtime Salaries

\$8,000 – Overtime Benefits

\$16,000 – Testing Consumables

\$17,000 – Agency Indirect Costs

\$319,500 – Total First Year Costs

\$68,000 – Total Ongoing Costs

We based estimated overtime salary expenditures on current levels for a Forensic Scientist 3 per published salary schedules. We computed estimated benefits expenditures based on federal or state mandated rates plus state provided amounts for health insurance and workers' compensation insurance. We assume that any increases in these rates or amounts will be covered by legislation establishing the increase.

We base our estimate for agency indirect costs on the federal indirect cost rate of 33.41 percent approved by the U.S. Department of Transportation on February 14, 2023. This rate is effective July 1, 2023, and is used on all estimates completed after the approval date. We apply this indirect cost rate percentage to all categories of expenditure with only two exceptions: capital equipment and expenditures after \$25,000 of each projected contract. Indirect costs include, but are not limited to, computer and telecommunications support, payroll processing, vendor payments, general accounting, procurement administration, inventory control, and human resource management.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	319,500	68,000	387,500	136,000	136,000
Total \$			319,500	68,000	387,500	136,000	136,000

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years					
A-Salaries and Wages	160,000	27,000	187,000	54,000	54,000
B-Employee Benefits	46,000	8,000	54,000	16,000	16,000
C-Professional Service Contracts					
E-Goods and Other Services	30,000	16,000	46,000	32,000	32,000
G-Travel	3,500		3,500		
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-Agency Indirect Costs	80,000	17,000	97,000	34,000	34,000
Total \$	319,500	68,000	387,500	136,000	136,000

In addition to the estimates above, there are additional indeterminate costs 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: 5367 E 2S SB AMH RSG H1678.2	Title: Products containing THC	Agency: 495-Department of Agriculture
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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
Hemp Regulatory Account-Private/Local 24G-7	(64,800)	(64,800)	(129,600)	(129,600)	(129,600)
Total \$	(64,800)	(64,800)	(129,600)	(129,600)	(129,600)

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

Estimated Operating Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
Hemp Regulatory Account-Private/Local 24G-7	(63,698)	(64,800)	(128,498)	(129,600)	(129,600)
Total \$	(63,698)	(64,800)	(128,498)	(129,600)	(129,600)

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: Matt Mazur-Hart	Phone: 360-786-7139	Date: 03/26/2023
Agency Preparation: Trecia Ehrlich	Phone: 360-584-3711	Date: 03/29/2023
Agency Approval: Jeannie Brown	Phone: 360-902-1989	Date: 03/29/2023
OFM Review: Matthew Hunter	Phone: (360) 529-7078	Date: 03/29/2023

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.

5367 E2S SB AMH RSG H1678.2 is an act relating to the regulation of products containing THC and is a House Committee amended iteration of engrossed second substitute bill to SB 5367.

5367 E2S SB AMH RSG H1678.2 differs from E2S SB 5367 as follows:

Section 1. (8) Creates a new definition of "hemp consumable."

Section 2. (h) (1) Amends the definition of "cannabis products" to include and bring under the regulatory authority of the Liquor and Cannabis Board, any product with any detectable amount of tetrahydrocannabinol (THC), rather than including any product with a THC concentration of zero.

Section 5. (3) added to prohibit producing, processing, manufacturing, or sale of any synthetically derived or completely synthetic cannabinoid except products approved by US Food and Drug Administration.

The changes contained in this version of the bill would not change the fiscal impact to WSDA from the prior version. WSDA continues to anticipate a 75% reduction in number of hemp businesses likely to forego re-licensing which would result in a reduction of license revenues and a reduction in the number of commodity inspector staff.

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.

With the reduction of hemp businesses assumed unlikely to re-license, WSDA expects a reduction to the number of inspections needed. WSDA would need to reduce the number of Commodity Inspector I positions by .68 FTE per year. Salaries, benefits, supplies, overhead totals \$64,800/year.

The previous iteration of the bill had a "zero" THC limit – but as zero is not a number in chemistry, the limit has been changed to "detectable" as defined by laboratory standards. These newly defined cannabis products would go under the regulatory authority of the LCB. Products sold in I502 licensed retail stores must be grown and processed by I-502 producers and processors – so by saying that cannabis products with any amount of detectable THC (including products previously defined as hemp) must be sold through the I-502 regulatory channel.

About 75% of hemp licensees are selling into markets to make ingestible hemp products, meaning smokable hemp, and other CBD products, and so if they lose their ability to sell into those marketplaces, they are unlikely to relicense. WSDA assumes up to a 75% reduction in our current 72 hemp licensees at \$1,200 per license. Estimated reduction of 54 hemp licensees and \$64,800 loss in revenue.

72 Hemp licensees in 2022 x \$1,200 = \$86,400
72 licensees x 75% reduction = 18 Hemp licensees
18 licensees x \$1,200 = \$21,600

\$86,400 - \$21,600 = \$64,800 Reduction

-0.68 FTE Agricultural commodity Inspector I
Salaries -\$28,400
Benefits -\$16,000

Good and Services -\$9,100
 Debt Service -\$400
 Agency Admin Overhead -\$10,900

Total -\$64,800

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.

With the reduction of hemp license revenue, WSDA assumes a -0.68 FTE reduction of Agricultural Commodity Inspector 1 per year. Estimated \$64,800.

-0.68 FTE Agricultural commodity Inspector 1
 Salaries -\$28,400
 Benefits -\$16,000
 Good and Services -\$9,100
 Debt Service -\$400
 Agency Admin Overhead -\$10,900

Total -\$64,800

Rulemaking Expense: Expedited rulemaking to edit hemp extract WAC 16-171-100(h) to remove the phrase "delta-9".

One Time Rulemaking Expense:

Regulatory Analyst 3: 20 hours @ \$44.94= \$898.80
 Administrative Regulatory Analyst 4: 5 hours @ \$40.72= \$203.60

Total Estimate for Rulemaking is \$1,102 in FY 2024.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
24G-7	Hemp Regulatory Account	Private/Local	(63,698)	(64,800)	(128,498)	(129,600)	(129,600)
Total \$			(63,698)	(64,800)	(128,498)	(129,600)	(129,600)

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years					
A-Salaries and Wages	(28,400)	(28,400)	(56,800)	(56,800)	(56,800)
B-Employee Benefits	(16,000)	(16,000)	(32,000)	(32,000)	(32,000)
C-Professional Service Contracts					
E-Goods and Other Services	(7,998)	(9,100)	(17,098)	(18,200)	(18,200)
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service	(400)	(400)	(800)	(800)	(800)
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-Agency Admin Overhead	(10,900)	(10,900)	(21,800)	(21,800)	(21,800)
Total \$	(63,698)	(64,800)	(128,498)	(129,600)	(129,600)

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

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

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

NONE

No capital impacts.

Part V: New Rule Making Required

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

Expedited rulemaking to edit hemp extract WAC 16-171-100(h) to remove the phrase "delta-9".

This will be necessary to align the required testing of hemp extract to be consistent with the language this bill adjusts for RCW 15.140.020(10).