

Multiple Agency Fiscal Note Summary

Bill Number: 5404 SB	Title: Cannabis revenue/local gov.
-----------------------------	---

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	(47,644,631)	0	0	(52,240,241)	0	0	(53,078,898)
Total \$	0	0	(47,644,631)	0	0	(52,240,241)	0	0	(53,078,898)

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		47,644,631		52,240,241		53,078,898
Local Gov. Total		47,644,631		52,240,241		53,078,898

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
Department of Revenue	.0	0	0	0	.0	0	0	0	.0	0	0	0
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

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
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

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total

Estimated Capital Budget Breakout

Prepared by: Val Terre, OFM

Phone:
(360) 280-3973

Date Published:
Final 1/23/2024

Department of Revenue Fiscal Note

Bill Number: 5404 SB	Title: Cannabis revenue/local gov.	Agency: 140-Department of Revenue
-----------------------------	---	--

Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated 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:	Phone:	Date: 01/16/2024
Agency Preparation: Van Huynh	Phone: (360) 534-1512	Date: 01/19/2024
Agency Approval: Marianne McIntosh	Phone: (360) 534-1505	Date: 01/19/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/23/2024

Request # 5404-1-1

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.

CURRENT LAW:

The Legislature is required to appropriate specified dollar amounts from the dedicated cannabis account to various recipients. After the appropriation of those amounts, the remaining funds are to be distributed as follows:

- 52% to the State Basic Health Plan Trust Account.
- 11% to the Health Care Authority.
- 1.5% to counties, cities, and towns where licensed cannabis retailers are physically located.
- 3.5% to counties, cities, and towns ratably, on a per capita basis, only to jurisdictions that do not prohibit the siting of licensed cannabis producers, processors, or retailers.
- 32% to the state general fund.

PROPOSAL:

This bill increases cannabis revenue distributions to local governments.

Specifically, it:

- Increases the percent distributed to counties, cities, and towns where licensed cannabis retailers are physically located from 1.5% to 3%.
- Increases the percent distributed to counties, cities and towns ratably, on a per capita basis, only to jurisdictions that do not prohibit the siting of licensed cannabis producers, processors, or retailers, from 3.5% to 7%.

EFFECTIVE DATE:

The bill takes effect 90 days after the final adjournment of the session in which it is enacted.

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.

This legislation results in no revenue impact on taxes administered by the Department of Revenue (department).

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 department will not incur any costs with the implementation of this legislation.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

NONE

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

NONE

III. C - 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

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5404 SB	Title: Cannabis revenue/local gov.	Agency: 195-Liquor and Cannabis Board
-----------------------------	---	--

Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
Dedicated Cannabis Account-State 315-1	(22,933,152)	(24,711,479)	(47,644,631)	(52,240,241)	(53,078,898)
Total \$	(22,933,152)	(24,711,479)	(47,644,631)	(52,240,241)	(53,078,898)

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:	Phone:	Date: 01/16/2024
Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 01/19/2024
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 01/19/2024
OFM Review: Val Terre	Phone: (360) 280-3973	Date: 01/21/2024

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(3c): Modifies the distribution of cannabis revenue to local governments from 5% to 10%.

Note: however, nowhere in section 3 is any other distribution percentage decreased, resulting in the total distributed in section 3 105% of available revenues.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

Section 1(3c): Modifies the distribution to local governments from 5% to 10%.

Note: however, nowhere in section 3 is any other distribution percentage decreased, so that makes the total in section 3 105% of available revenues.

Based on the November 2023 Cannabis Distribution forecast sheet:

NOTE: The Forecast sheet only goes out to FY27 so FY28/29 in the table above are extended from FY27.

CURRENT FORECAST - DISTRIBUTION TO LOCALS:

FY24: \$22,933,152

FY25: \$24,711,479

FY26: \$25,700,792

FY27: \$26,539,449

MODIFIED FORECAST - DISTRIBUTION TO LOCALS (based on the bill language):

FY24: \$45,866,303

FY25: \$49,422,957

FY26: \$51,401,583

FY27: \$53,078,898

OVER DISTRIBUTION/SHORTFALL (percentages do not add up)

FY24: (\$22,933,152)

FY25: (\$24,711,479)

FY26: (\$25,700,792)

FY27: (\$26,539,449)

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.

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: 5404 SB

Title: Cannabis revenue/local gov.

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

Legislation Impacts:

Cities: All cities and towns where licensed cannabis retailers are allowed to operate would see an increase in cannabis revenue distributions.

Counties: Same as above.

Special Districts:

Specific jurisdictions only:

Variance occurs due to:

Part II: Estimates

No fiscal impacts.

Expenditures represent one-time costs:

Legislation provides local option:

Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

Jurisdiction	FY 2024	FY 2025	2023-25	2025-27	2027-29
City	11,397,776	12,281,605	23,679,381	25,963,400	26,380,212
County	11,535,376	12,429,874	23,965,250	26,276,841	26,698,686
TOTAL \$	22,933,152	24,711,479	47,644,631	52,240,241	53,078,898
GRAND TOTAL \$					152,963,770

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Kristine Williams	Phone: (564) 669-3002	Date: 01/23/2024
Leg. Committee Contact:	Phone:	Date: 01/16/2024
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 01/23/2024
OFM Review: Val Terre	Phone: (360) 280-3973	Date: 01/23/2024

Part IV: Analysis

A. SUMMARY OF BILL

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

This bill increases cannabis distributions to local governments.

Section 1 reenacts and amends RCW 69.50.540. This section is amended to increase the percentage of cannabis revenue distributions to local governments. Specifically, it:

- Increases the percent distributed to counties, cities, and towns where licensed cannabis retailers are physically located from 1.5% to 3%.
- Increases the percent distributed to counties, cities and towns ratably, on a per capita basis, only to jurisdictions that do not prohibit the siting of licensed cannabis producers, processors, or retailers, from 3.5% to 7%.

This legislation would take effect 90 days after adjournment of the session in which the bill is passed.

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 not impact local government expenditures.

According to the Association of Washington Cities (AWC), a total of 239 cities, towns, and counties have received money from the dedicated cannabis account since fiscal year 2018. Each local government decided how to spend its funds. On average, funds from the account were 0.27% of a local government's general fund revenue. JLARC staff surveyed the 22 local governments that received over \$200,000 in fiscal year 2022. These local governments indicated that they used their funds in the following ways:

- 16 used the funds for general government purposes.
- Five used funds to support law enforcement activities.
- Since 2021, King County has used its funds for programs that support individuals affected by past cannabis enforcement laws. Programs included vacating criminal records, community investments, and relief from legal financial obligations (e.g., costs imposed by a court after a criminal conviction).

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 legislation would increase local government revenues.

Data provided in the 2024 Joint Legislative Audit and Review Committee's (JLARC) Dedicated Cannabis Account Appropriations and Expenditures Report shows that \$22,156,700 in cannabis revenue was distributed to local governments in FY 2023. \$11,154,173, or 50.3%, in cannabis revenue was distributed to counties and \$11,002,527 in cannabis revenue, or 49.7%, was distributed to cities. Using these distribution percentages and the modified forecast data included in the Washington State Liquor and Cannabis Board SB 5404 fiscal note, estimates for the distribution of local government revenues in this bill are provided below.

FY 2024 MODIFIED FORECAST: \$22,933,152
FY 2024 Counties: \$11,535,376 (\$22,933,152 x .503)
FY 2024 Cities: \$11,397,776 (\$22,933,152 x .497)

FY 2025 MODIFIED FORECAST: \$24,711,479
FY 2025 Counties: \$12,429,874 (\$24,711,479 x .503)
FY 2025 Cities: \$12,281,605 (\$24,711,479 x .497)

FY 2026 MODIFIED FORECAST: \$25,700,792
FY 2026 Counties: \$12,927,498 ($\$25,700,792 \times .503$)
FY 2026 Cities: \$12,773,294 ($\$24,711,479 \times .497$)

FY 2027 MODIFIED FORECAST: \$26,539,449
FY 2027 Counties: \$13,349,343 ($\$26,539,449 \times .503$)
FY 2027 Cities: \$13,190,106 ($\$26,539,449 \times .497$)

FY 2028 MODIFIED FORECAST: \$26,539,449 (EXTENDED FROM FY 2027)
FY 2028 Counties: \$13,349,343 ($\$26,539,449 \times .503$)
FY 2028 Cities: \$13,190,106 ($\$26,539,449 \times .497$)

FY 2029 MODIFIED FORECAST: \$26,539,449 (EXTENDED FROM FY 2027)
FY 2029 Counties: \$13,349,343 ($\$26,539,449 \times .503$)
FY 2029 Cities: \$13,190,106 ($\$26,539,449 \times .497$)

SOURCES

Association of Washington Cities (AWC)
Joint Legislative Audit & Review Committee Dedicated Cannabis Account
Appropriations and Expenditures Report (2024)
Washington State Liquor and Cannabis Board Annual Report (FY 2023)
Washington State Liquor and Cannabis Board fiscal note SB 5404 (2024)
Washington State Association of Counties (WSAC)