

# Multiple Agency Fiscal Note Summary

|   |                                     |
|---|-------------------------------------|
| <b>Bill Number:</b> 1650 S HB 1650-S<br>H2046.1 | <b>Title:</b> Cannabis prohibitions |
|---|-------------------------------------|

## Estimated Cash Receipts

| Agency Name                 | 2023-25  |             |       | 2025-27  |             |       | 2027-29  |             |       |
|-----------------------------|--|-------------|-------|----------|-------------|-------|----------|-------------|-------|
|                             | GF-State   | NGF-Outlook | Total | GF-State | NGF-Outlook | Total | GF-State | NGF-Outlook | Total |
| Liquor and Cannabis Board   | Non-zero but indeterminate cost and/or savings. Please see discussion. |             |       |          |             |       |          |             |       |
| Washington State University | Non-zero but indeterminate cost and/or savings. Please see discussion. |             |       |          |             |       |          |             |       |
| <b>Total \$</b>             | 0  | 0           | 0     | 0        | 0           | 0     | 0        | 0           | 0     |

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

## Estimated Operating Expenditures

| Agency Name                      | 2023-25  |          |             |       | 2025-27 |          |             |       | 2027-29 |          |             |       |
|----------------------------------|--|----------|-------------|-------|---------|----------|-------------|-------|---------|----------|-------------|-------|
|                                  | FTEs   | GF-State | NGF-Outlook | Total | FTEs    | GF-State | NGF-Outlook | Total | FTEs    | GF-State | NGF-Outlook | Total |
| Office of the Secretary of State | Non-zero but indeterminate cost and/or savings. Please see discussion. |          |             |       |         |          |             |       |         |          |             |       |
| Office of State Treasurer        | Fiscal note not available  |          |             |       |         |          |             |       |         |          |             |       |
| Liquor and Cannabis Board        | .0   | 0        | 0           | 0     | .0      | 0        | 0           | 0     | .0      | 0        | 0           | 0     |
| University of Washington         | Non-zero but indeterminate cost and/or savings. Please see discussion. |          |             |       |         |          |             |       |         |          |             |       |
| Washington State University      | .0   | 0        | 0           | 0     | .0      | 0        | 0           | 0     | .0      | 0        | 0           | 0     |
| <b>Total \$</b>                  | 0.0  | 0        | 0           | 0     | 0.0     | 0        | 0           | 0     | 0.0     | 0        | 0           | 0     |

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

## Estimated Capital Budget Expenditures

| Agency Name                      | 2023-25                   |          |          | 2025-27    |          |          | 2027-29    |          |          |
|----------------------------------|---------------------------|----------|----------|------------|----------|----------|------------|----------|----------|
|                                  | FTEs                      | Bonds    | Total    | FTEs       | Bonds    | Total    | FTEs       | Bonds    | Total    |
| Office of the Secretary of State | .0                        | 0        | 0        | .0         | 0        | 0        | .0         | 0        | 0        |
| Office of State Treasurer        | Fiscal note not available |          |          |            |          |          |            |          |          |
| Liquor and Cannabis Board        | .0                        | 0        | 0        | .0         | 0        | 0        | .0         | 0        | 0        |
| University of Washington         | .0                        | 0        | 0        | .0         | 0        | 0        | .0         | 0        | 0        |
| Washington State University      | .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> |

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

## Estimated Capital Budget Breakout

NONE

|                                    |                                 |   |
|------------------------------------|---------------------------------|---|
| <b>Prepared by:</b> Val Terre, OFM | <b>Phone:</b><br>(360) 280-3973 | <b>Date Published:</b><br>Preliminary 1/29/2024 |
|------------------------------------|---------------------------------|---|

# Individual State Agency Fiscal Note

|  |                                     |   |
|--|-------------------------------------|---|
| <b>Bill Number:</b> 1650 S HB 1650-S H2046.1 | <b>Title:</b> Cannabis prohibitions | <b>Agency:</b> 085-Office of the Secretary of State |
|--|-------------------------------------|---|

## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Operating Expenditures from:**

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

**Estimated Capital Budget Impact:**

NONE

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

Check applicable boxes and follow corresponding instructions:

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

|                                       |                       |                  |
|---------------------------------------|-----------------------|------------------|
| Legislative Contact: Peter Clodfelter | Phone: 360-786-7127   | Date: 01/18/2024 |
| Agency Preparation: Mike Woods        | Phone: (360) 704-5215 | Date: 01/22/2024 |
| Agency Approval: Bonnie Luntzel       | Phone: 360-570-5575   | Date: 01/22/2024 |
| OFM Review: Cheri Keller              | Phone: (360) 584-2207 | Date: 01/22/2024 |

## 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.*

Changes in SHB 1650 compared to the previous version (HB 1650, 2023 session).

Section 1 would allow cities, towns, and counties to hold local elections proposing the prohibition of the siting of cannabis retail businesses. The elections must take place on a date after July 1, 2024. The previous version would have required the elections take place after July 1, 2023.

Summary of SHB 1650

Section 1 would allow cities, towns, and counties to hold local elections proposing the prohibition of the siting of cannabis retail businesses. The elections must take place on a date after July 1, 2024.

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

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

### II. B - Cash receipts Impact

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

### II. C - Expenditures

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

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

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

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

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

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

### III. B - Expenditures by Object Or Purpose

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

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

NONE

**III. D - Expenditures By Program (optional)**

NONE

**Part IV: Capital Budget Impact**

**IV. A - Capital Budget Expenditures**

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

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

NONE

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

NONE

**Part V: New Rule Making Required**

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

# Individual State Agency Fiscal Note

|  |                                     |  |
|--|-------------------------------------|--|
| <b>Bill Number:</b> 1650 S HB 1650-S H2046.1 | <b>Title:</b> Cannabis prohibitions | <b>Agency:</b> 195-Liquor and Cannabis Board |
|--|-------------------------------------|--|

## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

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

**Estimated Operating Expenditures from:**

NONE

**Estimated Capital Budget Impact:**

NONE

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

Check applicable boxes and follow corresponding instructions:

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

|                                       |                       |                  |
|---------------------------------------|-----------------------|------------------|
| Legislative Contact: Peter Clodfelter | Phone: 360-786-7127   | Date: 01/18/2024 |
| Agency Preparation: Colin O Neill     | Phone: (360) 664-4552 | Date: 01/18/2024 |
| Agency Approval: Aaron Hanson         | Phone: 360-664-1701   | Date: 01/18/2024 |
| OFM Review: Val Terre                 | Phone: (360) 280-3973 | Date: 01/19/2024 |

## 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(1): Beginning July 1, 2028, a city, town, or county may prohibit the siting or operation of any business or facility to be used for the retail sale of cannabis products under this chapter only if:

- (a) The city, town, or county initiates an ordinance by submitting a ballot proposition at a general election prohibiting the siting or operation of any business or facility to be used for the retail sale of cannabis under this chapter;
- (b) A majority of the voters of the county, city, or town voting in the election approve the prohibition; and
- (c) The election is held on a date after July 1, 2024.

Section 2:

(1) Except as provided in section 1 of this act and in subsections (2) through (4) of this section, the state of Washington has sole authority to regulate cannabis retailers licensed under this chapter and counties, cities, and towns are preempted from engaging in the regulation of cannabis retailers.

(2) Cities, towns, and counties retain their existing zoning authority regarding the siting of cannabis retailers.

(3)(a) Except as provided in section 1 of this act and in (b) of this subsection, counties, cities, and towns may not enact any ordinance, regulation, or land use plan that has the effect of precluding the siting or operation of cannabis retailers within their jurisdictional boundaries.

(b) A city, town, or county that prohibits the siting and operation of any retail business within its jurisdictional boundaries may enact an ordinance or regulation that precludes the siting and operation of state cannabis businesses.

(5) Following the passage of an ordinance under section 1 of this act, the board may not issue a license under RCW 69.50.325(3) for the retail sale of cannabis with respect to a business that is either located or proposed to be located within an area subject to the ordinance.

Section 6(4): Until July 1, 2033, an amount equivalent to the total cannabis excise taxes generated by retail outlets in cities, towns, and counties that, on the effective date of this section, have a ban or moratorium on the operation or siting of cannabis retailers and have no cannabis retailers operating in their jurisdiction, and that, after the effective date of this section, authorize cannabis retail activity in accordance with section 1 of this act, must be disbursed annually as follows:

- (a) 50 percent of funds must be used to support substance abuse disorder prevention treatment services including development of best practices for programs and services; and
- (b) 50 percent of funds must be used for cannabis research including research conducted by the University of Washington and Washington State University under subsection (1)(f) of this section.

### II. B - Cash receipts Impact

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

Section 6(4): Until July 1, 2033, an amount equivalent to the total cannabis excise taxes generated by retail outlets in cities, towns, and counties that, on the effective date of this section, have a ban or moratorium on the operation or siting of cannabis retailers and have no cannabis retailers operating in their jurisdiction, and that, after the effective date of this section, authorize cannabis retail activity in accordance with section 1 of this act, must be disbursed annually as follows:

(a) 50 percent of funds must be used to support substance abuse disorder prevention treatment services including development of best practices for programs and services; and

(b) 50 percent of funds must be used for cannabis research including research conducted by the University of Washington and Washington State University under subsection (1)(f) of this section.

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

## II. C - Expenditures

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

No fiscal impact to the agency.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

NONE

### III. B - Expenditures by Object Or Purpose

NONE

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

NONE

### III. D - Expenditures By Program (optional)

NONE

## Part IV: Capital Budget Impact

### IV. A - Capital Budget Expenditures

NONE

### IV. B - Expenditures by Object Or Purpose

NONE

### IV. C - Capital Budget Breakout

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

NONE

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

NONE

## Part V: New Rule Making Required

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



# Individual State Agency Fiscal Note

|  |                                     |   |
|--|-------------------------------------|---|
| <b>Bill Number:</b> 1650 S HB 1650-S H2046.1 | <b>Title:</b> Cannabis prohibitions | <b>Agency:</b> 360-University of Washington |
|--|-------------------------------------|---|

## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Operating Expenditures from:**

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

**Estimated Capital Budget Impact:**

NONE

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

Check applicable boxes and follow corresponding instructions:

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

|                                       |                       |                  |
|---------------------------------------|-----------------------|------------------|
| Legislative Contact: Peter Clodfelter | Phone: 360-786-7127   | Date: 01/18/2024 |
| Agency Preparation: Michael Lantz     | Phone: 2065437466     | Date: 01/23/2024 |
| Agency Approval: Jed Bradley          | Phone: 2066164684     | Date: 01/23/2024 |
| OFM Review: Ramona Nabors             | Phone: (360) 742-8948 | Date: 01/29/2024 |

## 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.*

Substitute House Bill 1650 (1650 SHB 1650-S H2046.1) concerns the regulation of cannabis retailers by local governments. Section 1 requires local governments seeking to prohibit cannabis retailers to place a measure on the general election ballot starting July 1, 2028. Section 2 limits the authority of local governments to regulate cannabis retailers. Finally, Section 6 directs 50 percent of cannabis excise tax revenue generated by cannabis retailers in cities, towns, and counties that previously prohibited cannabis retailers to support substance abuse prevention and treatment services and the remaining 50 percent to cannabis research, including at the University of Washington (UW). Section 7 expires on July 1, 2033.

### 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.*

SHB 1650 will have an indeterminate expenditure impact on the UW.

The UW has a robust portfolio of cannabis research and significant interest in engaging in additional work including through its Addictions, Drug, and Alcohol Institute (ADAI). Funding provided by SHB 1650 would allow ADAI to continue its important public health, safety, and welfare research and engage with communities across Washington state, including those impacted by this measure.

It is unclear how much new funding the UW will receive from this measure as it is not known how many communities will allow new cannabis retailers, how many new cannabis retailers will be established, how much new cannabis excise tax revenue will be generated, or how much of the new revenue will be directed to the UW. Therefore, the fiscal impact is indeterminate.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

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

### III. B - Expenditures by Object Or Purpose

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

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

NONE

### III. D - Expenditures By Program (optional)

NONE

## Part IV: Capital Budget Impact

### IV. A - Capital Budget Expenditures

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

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

NONE

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

NONE

**Part V: New Rule Making Required**

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

# Individual State Agency Fiscal Note

|  |                                     |  |
|--|-------------------------------------|--|
| <b>Bill Number:</b> 1650 S HB 1650-S H2046.1 | <b>Title:</b> Cannabis prohibitions | <b>Agency:</b> 365-Washington State University |
|--|-------------------------------------|--|

## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

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

**Estimated Operating Expenditures from:**

NONE

**Estimated Capital Budget Impact:**

NONE

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

Check applicable boxes and follow corresponding instructions:

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

|                                       |                       |                  |
|---------------------------------------|-----------------------|------------------|
| Legislative Contact: Peter Clodfelter | Phone: 360-786-7127   | Date: 01/18/2024 |
| Agency Preparation: Emily Green       | Phone: 5093359681     | Date: 01/23/2024 |
| Agency Approval: Chris Jones          | Phone: 509-335-9682   | Date: 01/23/2024 |
| OFM Review: Ramona Nabors             | Phone: (360) 742-8948 | Date: 01/29/2024 |

## 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.*

S HB 1650 relates to the requirements for local government prohibitions on the operation and siting of cannabis retail businesses.

Section 6 (4) (a) requires that until July 1, 2032, an amount equivalent to 50% of the incremental cannabis excise tax generated must be used for cannabis research conducted by University of Washington (UW) and Washington State University (WSU). This section would have a potential impact for WSU.

### II. B - Cash receipts Impact

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

Section 6 (4) (a) requires that until July 1, 2032, an incremental increase in tax revenue from jurisdictions that currently have a moratorium on cannabis retail outlets will be distributed to WSU and UW to conduct cannabis research. The revenue generated by this tax could fluctuate depending on a number of variables to include but not limited to the expansion and/or decrease in cannabis retail outlets. Additionally, revenues received would depend on distribution ratio between WSU and UW. The cash receipt impact is indeterminate due to difficulty in quantifying variables.

### 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

|  |                                     |
|--|-------------------------------------|
| <b>Bill Number:</b> 1650 S HB 1650-S H2046.1 | <b>Title:</b> Cannabis prohibitions |
|--|-------------------------------------|

## Part I: Jurisdiction

Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

- Cities: Cities choosing to conduct a vote to prohibit cannabis retailers.
- Counties: Same as above.
- Special Districts:
- Specific jurisdictions only: Code cities.
- Variance occurs due to:

## Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option: Local governments may choose to conduct an election.
- Key variables cannot be estimated with certainty at this time: The number of local governments that choose to conduct an election to prohibit cannabis retailers.

### Estimated revenue impacts to:

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

### Estimated expenditure impacts to:

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

## Part III: Preparation and Approval

|  |                       |                  |
|--|-----------------------|------------------|
| Fiscal Note Analyst: Kate Fernald        | Phone: 564-200-3519   | Date: 01/25/2024 |
| Leg. Committee Contact: Peter Clodfelter | Phone: 360-786-7127   | Date: 01/18/2024 |
| Agency Approval: Allan Johnson           | Phone: 360-725-5033   | Date: 01/25/2024 |
| OFM Review: Val Terre                    | Phone: (360) 280-3973 | Date: 01/26/2024 |

## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

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

This bill prevents local governments from prohibiting cannabis retail businesses in their jurisdiction after July 1, 2028, unless a majority of voters in the jurisdiction voting in a general election vote to approve an ordinance prohibiting cannabis retailers.

Section 1 states that after July 1, 2028, a city, town, or county may not prohibit the siting or operation of any business or facility to be used for the retail sale of cannabis products unless:

- The city, town, or county initiates an ordinance by submitting a ballot proposition at a general election prohibiting the siting or operation of any business or facility to be used for the retail sale of cannabis under this chapter;
- A majority of the voters of the county, city, or town voting in the election approve the prohibition, and the election is held on a date after July 1, 2024.

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

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

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

From the date that the bill is enacted, until July 1, 2033, cannabis excise taxes revenues generated by retail outlets in local government jurisdictions that currently have a ban on cannabis retailers, that then authorize cannabis retailers after the passage of this bill, must be disbursed annually as follows:

- 50% of funds must be used to support substance abuse disorder prevention treatment services including development of best practices for programs and services; and
- 50% of funds must be used for cannabis research including research conducted by the University of Washington and Washington State University.

### **B. SUMMARY OF EXPENDITURE IMPACTS**

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

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

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

#### **COSTS ASSOCIATED WITH ADOPTING AN ORDINANCE:**

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



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

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

#### ELECTION COSTS:

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

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

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

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

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

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

### **C. SUMMARY OF REVENUE IMPACTS**

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

The legislation's impact to city and county revenues is indeterminate and cannot be predicted in advance because it is not known how many jurisdictions would choose to vote to approve an election measure prohibiting cannabis retailers.

#### ELECTION REVENUE:

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

#### REVENUE CHANGES ASSOCIATED WITH EXCISE TAX REAPPORTIONMENT:

It is unknown how this legislation would affect revenues because it is not known how many jurisdictions would choose to vote to approve an election measure prohibiting cannabis retailers. According to the Association of Washington Cities

(AWC), the preemption in Section 2 would likely affect city revenue. A regulatory license, like Seattle's marijuana regulatory license, would be preempted by this section, thus generating a loss of that income to the city. There is not a definitive list of those jurisdictions nor a clear idea of how much money these regulatory licenses generate for cities. It is uncertain where the excise tax deferral money would be reallocated from, given that the money is already allocated 100% under the current formula.

The state currently imposes a 37% cannabis excise tax at the time of retail sale. Cannabis sales are often subject to retail sales taxes, and cannabis businesses are subject to business and occupation taxes. After the fixed dollar appropriations are made from the cannabis excise tax, 5% of the funds that remain are shared with cities, towns and counties that allow cannabis sales. AWC reported that a total of 239 cities, towns, and counties have received money from the cannabis excise tax account since fiscal year 2018. Of local governments' 5% share of the cannabis excise tax, 3.5% of funds are distributed to jurisdictions that allow cannabis sales based on each jurisdiction's percent of the state population, and 1.5% of funds are distributed based on each jurisdiction's actual cannabis retail sales.

Jurisdictions that prohibit cannabis processors, producers, or retailers are not currently eligible for cannabis excise tax distributions. RCW 69.50.540 does not list or define any restrictions that might apply to how these funds are to be used by local governments. However, this bill would require jurisdictions that prohibit cannabis retailers and have no cannabis retailers operating in their jurisdiction to reapportion the excise tax revenues that would be generated by cannabis retailers under the proposed legislation. The Washington State Auditor's Office tracks Marijuana Excise Tax Distribution, and found that local government revenues from the excise tax amounted to \$14,821,645; however, the reported revenues are not audited. Many jurisdictions that prohibit the sale of cannabis do not report any revenues from the cannabis excise tax. Because of this, the total amount of cannabis excise taxes generated that would need to be reapportioned would be difficult to track.

Due to the aforementioned uncertainties, this legislation would have indeterminate impacts on local government revenues

#### COSTS ASSOCIATED WITH ADOPTING AN ORDINANCE:

This bill provides a local option for towns, cities and counties to vote to place an election measure to the voters in that jurisdiction to ban cannabis retailers. Currently, 84 cities and six counties in Washington prohibit cannabis retail via voting and public ordinance. Jurisdictions choosing to conduct an election to ban retail cannabis would incur costs to place the measure on the ballot. This approval is anticipated to occur through legislative action and may range in costs that are similar to a simple ordinance adoption to the costs of a complex ordinance with hearing. For discussion purposes, the Local Government Fiscal Note Program's cost models put the cost of adopting a simple ordinance with a public hearing is \$2,958 while adoption of a complex ordinance with hearing is estimated to be approximately \$9,492.

#### RE-ALLOCATED FUNDS:

Section 6 would allocate cannabis excise tax revenues from certain new cannabis retail outlets located in jurisdictions that had prohibitions that were not reimposed by voter approval until July 1, 2032. The bill would direct 50 percent of re-allocated funds to substance abuse disorder prevention and treatment services and 50 percent of re-allocated funds to cannabis research. This would not be a loss of current revenue for cities and counties; however, it would constitute a functional cost to cities that would have new cannabis businesses that were previously prohibited. Cities that have an existing ordinance allowing cannabis businesses do receive some funds that they can use to mitigate the impact of having cannabis in their jurisdiction. Cities that would come in under this bill would not have the benefit of that revenue. Therefore, there would be a functional cost to those cities to do that work that current cities receive revenue from the tax to do.

#### SOURCES:

Association of Washington Cities

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