

Multiple Agency Fiscal Note Summary

Bill Number: 2151 S HB	Title: Cannabis lab. accreditation
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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 Ecology	0	0	(498,000)	0	0	(996,000)	0	0	(996,000)
Total \$	0	0	(498,000)	0	0	(996,000)	0	0	(996,000)

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	.5	160,590	160,590	160,590	1.0	268,390	268,390	268,390	1.0	268,390	268,390	268,390
Department of Ecology	(2.3)	0	0	(782,333)	(3.6)	0	0	(1,219,961)	(2.6)	0	0	(875,256)
Department of Agriculture	Fiscal note not available											
Total \$	(1.8)	160,590	160,590	(621,743)	(2.6)	268,390	268,390	(951,571)	(1.6)	268,390	268,390	(606,866)

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Liquor and Cannabis Board	.0	0	0	.0	0	0	.0	0	0
Department of Ecology	.0	0	0	.0	0	0	.0	0	0
Department of Agriculture	Fiscal note not available								
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

Missing lead agency fiscal note. Will republish with a final package after WSDA submits.
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Individual State Agency Fiscal Note

Bill Number: 2151 S HB	Title: Cannabis lab. accreditation	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	0.0	1.0	0.5	1.0	1.0
Account					
General Fund-State 001-1	0	160,590	160,590	268,390	268,390
Total \$	0	160,590	160,590	268,390	268,390

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: Dan Jones	Phone: 360-786-7118	Date: 01/25/2024
Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 01/25/2024
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 01/25/2024
OFM Review: Val Terre	Phone: (360) 280-3973	Date: 01/26/2024

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 – the Department of Agriculture must, in consultation with the Liquor and Cannabis Board, adopt rules to implement section 2.

Section 2 (RCW 69.50.348) – references to the “Department of Ecology” are replaced with “Department of Agriculture.”

Section 2(4) – current law - is stricken from the original bill.

Section 3 – repeals RCW 43.21A.736 (Cannabis product testing fees-rules)

Section 4 – Section 2 of this act takes effect July 1, 2024.

Section 5 – Sections 1 & 3 take effect immediately.

CHANGES FROM 2151 HB:

Section 2(4) – current law - is stricken from the original bill. Original language follows: "If a representative sample inspected and tested under this section does not meet the applicable quality assurance and product standards established by the board, the entire lot from which the sample was taken must be destroyed."

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 Washington State Liquor and Cannabis Board ("Board") 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.

The workload impact from this bill is based on the change (striking section 2(4)) removing the ability for LCB to prevent unsafe products from reaching the consumer. LCB is responsible for ensuring that any products that fail certain tests do not make it to the consumer. This change would remove the ability for the LCB to seize a product lot for destruction that has failed certain tests. Not destroying failed lots will provide a major loophole for diversion.

The requirement for an additional officer is to investigate this diversion issue. Please see the attached "2151 SHB Cannabis lab accreditation - Enforcement Field Increment Calculator.pdf" for the workload calculations.

1.0 FTE LCB Enforcement Officer 2 - \$134,195/yr (\$118,335 salary/benefits, \$15,860 in associated costs). Onetime costs in FY25 of \$26,395 for equipment purchases.

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	0	160,590	160,590	268,390	268,390
Total \$			0	160,590	160,590	268,390	268,390

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		1.0	0.5	1.0	1.0
A-Salaries and Wages		86,712	86,712	173,424	173,424
B-Employee Benefits		31,623	31,623	63,246	63,246
C-Professional Service Contracts					
E-Goods and Other Services		17,275	17,275	8,720	8,720
G-Travel		15,160	15,160	22,320	22,320
J-Capital Outlays		9,820	9,820	680	680
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	0	160,590	160,590	268,390	268,390

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
LCB Enforcement Officer 2	86,712		1.0	0.5	1.0	1.0
Total FTEs			1.0	0.5	1.0	1.0

III. D - Expenditures By Program (optional)

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
Enforcement Division (060)		160,590	160,590	268,390	268,390
Total \$		160,590	160,590	268,390	268,390

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

2151 SHB "Cannabis lab accreditation " (ongoing)

	Number of events	Time Factor	Staffing Factor	FI Total
Complaint Investigations Cannabis	22	20	1.3	564
Search and Seizure	4	51	13	2877

<u>Factors</u>	<u>Values</u>
Historical complaints	217
Complaint Investigations Cannabis	10%
Search and Seizure	20%

Total FI's	3,442
Total Field Increments per FTE	4,220
FTE's required	0.82
Round	1.00

Individual State Agency Fiscal Note

Bill Number: 2151 S HB	Title: Cannabis lab. accreditation	Agency: 461-Department of Ecology
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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
Dedicated Cannabis Account-State 315-1		(498,000)	(498,000)	(996,000)	(996,000)
Total \$		(498,000)	(498,000)	(996,000)	(996,000)

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	(4.6)	(2.3)	(3.6)	(2.6)
Account					
Dedicated Cannabis Account-State 315-1	0	(782,333)	(782,333)	(1,219,961)	(875,256)
Total \$	0	(782,333)	(782,333)	(1,219,961)	(875,256)

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: Dan Jones	Phone: 360-786-7118	Date: 01/25/2024
Agency Preparation: Gary Koshi	Phone: 360-701-7645	Date: 02/01/2024
Agency Approval: Erik Fairchild	Phone: 360-407-7005	Date: 02/01/2024
OFM Review: Lisa Borkowski	Phone: (360) 742-2239	Date: 02/01/2024

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.

Compared to HB 2151, SHB 2151 has the following change:

Section 2 (4) is struck, which removes the current requirement that the entire lot from which a sample was taken must be destroyed if a representative sample of cannabis or a cannabis product inspected and tested by an independent, third-party testing laboratory does not meet the applicable quality assurance and product standards established by the Liquor and Cannabis Board.

This change does not change the fiscal impact to Ecology.

Under current law, RCW 69.50.348, the responsibility to accredit cannabis-testing laboratories is scheduled to transfer from the Washington State Liquor and Cannabis Board (WSLCB) to the Department of Ecology (Ecology), effective July 1, 2024. Under RCW 43.21A.736, Ecology is currently required to adopt rules by July 1, 2024, to implement the program.

This bill would replace Ecology with the Department of Agriculture (WSDA) as the agency responsible for accrediting cannabis-testing laboratories starting July 1, 2024.

Section 2 would amend RCW 69.50.348 to transition private cannabis lab accreditation responsibility from WSLCB to WSDA rather than from WSLCB to Ecology, effective July 1, 2024. Section 2(5) would remove the requirement for Ecology to establish fees to fully cover the costs of the program, and instead allow WSDA to establish fees that support their costs to implement the program.

Section 3 would repeal RCW 43.21A.736, which would no longer require Ecology to adopt rules and establish fees to accredit cannabis-testing laboratories.

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 bill would result in a reduction to cash receipts for Ecology starting in fiscal year (FY) 2025.

RCW 69.50.348(5) currently requires Ecology to establish a fee schedule to fully cover, but not exceed, the administrative and oversight costs of the accreditation program. Ecology has undertaken rulemaking as required to begin charging this fee in FY 2025. In order to fully recover Ecology's costs to implement the program, Ecology estimates the fee revenue would be approximately \$498,000 per year.

Section 2 of this bill would transition private cannabis lab accreditation responsibility from WSLCB to WSDA rather than from WSLCB to Ecology, effective July 1, 2024, and would remove the requirement for Ecology to establish fees. Therefore, estimated fee revenue would be eliminated beginning in FY 2025.

Cash Receipts Summary

FY 2025 and ongoing: -\$498,000 per year, Dedicated Cannabis Account

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.

Compared to current law, this bill would result in a reduction in expenditures to Ecology as detailed below.

Please note, Ecology currently does not have an appropriation to implement the current law requirements. While the responsibility under current law to accredit cannabis-testing laboratories is scheduled to transfer to Ecology July 1, 2024, Ecology currently has no budget in the 2023-25 biennium to support this activity. In the 2022 session, the Legislature passed E2SSB 5796 to identify appropriation levels from the Dedicated Cannabis Account through the 2021--23 biennium, and the 2023--25 operating budget removed remaining Dedicated Cannabis Account appropriation for this activity from Ecology's budget. Ecology would require additional funding beginning in FY 2025 to be able to meet the current statutory requirement. This funding is included in the Governor's 2024 supplemental operating budget proposal PL PJ Cannabis Lab Accreditation; however, it is not currently in Ecology's budget. The costs listed below are what is requested in budget proposal PL PJ Cannabis Lab Accreditation. The result of changing the cannabis lab accreditation program to WSDA instead of Ecology is that Ecology would no longer require new 2024 supplemental funding to implement the program.

Section 2 of the bill would change the responsibility for accreditation of cannabis-testing laboratories to WSDA instead of Ecology beginning July 1, 2024. As compared with current law, this would eliminate the need for Ecology to incur costs associated with implementation of the program beginning in FY 2025, and therefore have the impact of a reduction in costs to Ecology. Beginning July 1, 2024 and ongoing, Ecology estimates the following resources would not be needed:

1.0 FTE Chemist 4 – This position would be an organic chemist with a working knowledge of metals chemistry. This position would conduct on-site and virtual audits of laboratories that have applied for accreditation, review quality assurance manuals and standard operating procedures of applicant laboratories, provide technical assistance to laboratories, and perform other activities required to determine whether laboratories can produce accurate and defensible analytical data.

1.0 FTE Microbiologist 4 – This position would evaluate, audit, and provide technical assistance to labs for analyses of microbiological pathogens (E.Coli, salmonella) and mycotoxins. They would also assist with conducting the on-site and virtual audits, and perform other activities, as needed, to determine whether laboratories can produce accurate and defensible analytical data.

In addition to these ongoing staff, from July 1, 2024 through June 30, 2026, Ecology would no longer require the following IT positions to integrate cannabis accreditation data into Ecology's existing systems:

1.0 FTE IT Business Analyst-Journey – This position would plan and design an accreditation data management system that would be integrated with the cannabis lab accreditation workflow and existing Ecology systems.

1.0 FTE IT App Development-Journey – This position would develop and implement a robust data management system to house information on all the accredited labs, including auditing and proficiency testing results. 0.25 FTE of this resource would be needed ongoing, starting in fiscal year 2027, to provide support for the integrated solution.

In addition, this bill would not require Ecology to repeal or revise any rules because Ecology has not yet adopted rules to take over accreditation of cannabis-testing laboratories.

SUMMARY of reduced costs compared to current law:

FY 2025 and FY 2026: \$782,333 and 4.6 FTEs

FY 2027 and ongoing: \$437,628 and 2.6 FTEs

Notes on costs by object:

Salary estimates are current biennium actual rates at Step L.

Benefits are the agency average of 36% of salaries.

Goods and Services are the agency average of \$5,224 per direct program FTE.

Travel is the agency average of \$1,563 per direct program FTE.

Equipment is the agency average of \$1,031 per direct program FTE.

Agency Administrative Overhead is calculated at the federally approved agency indirect rate of 29.8% of direct program salaries and benefits, and is shown as object T. Agency Administrative Overhead FTEs are included at 0.15 FTE per direct program FTE, and are identified as Fiscal Analyst 2 and IT App Development-Journey.

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	0	(782,333)	(782,333)	(1,219,961)	(875,256)
Total \$			0	(782,333)	(782,333)	(1,219,961)	(875,256)

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		(4.6)	(2.3)	(3.6)	(2.6)
A-Salaries and Wages		(425,462)	(425,462)	(663,405)	(475,886)
B-Employee Benefits		(153,166)	(153,166)	(238,826)	(171,320)
E-Goods and Other Services		(20,896)	(20,896)	(32,650)	(23,508)
G-Travel		(6,252)	(6,252)	(9,769)	(7,034)
J-Capital Outlays		(4,124)	(4,124)	(6,444)	(4,640)
9-Agency Administrative Overhead		(172,433)	(172,433)	(268,867)	(192,868)
Total \$	0	(782,333)	(782,333)	(1,219,961)	(875,256)

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
CHEMIST 4	108,152		(1.0)	(0.5)	(1.0)	(1.0)
FISCAL ANALYST 2			(0.4)	(0.2)	(0.3)	(0.2)
IT APP DEVELOPMENT-JOURNEY	107,154		(1.0)	(0.5)	(0.6)	(0.3)
IT APP DEV-JOURNEY			(0.2)	(0.1)	(0.2)	(0.1)
IT BUSINESS ANALYST-JOURNEY	107,154		(1.0)	(0.5)	(0.5)	
MICROBIOLOGIST 4	103,002		(1.0)	(0.5)	(1.0)	(1.0)
Total FTEs			(4.6)	(2.3)	(3.6)	(2.6)

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.