

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 2255 E HB	<b>Title:</b> Cannabis inversion/diversion
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## Estimated Cash Receipts

NONE

## 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

## 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

## Estimated Capital Budget Breakout

<b>Prepared by:</b> Val Terre, OFM	<b>Phone:</b> (360) 280-3973	<b>Date Published:</b> Final 2/15/2024
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# Department of Revenue Fiscal Note

<b>Bill Number:</b> 2255 E HB	<b>Title:</b> Cannabis inversion/diversion	<b>Agency:</b> 140-Department of Revenue
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## 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: Jarrett Sacks	Phone: 60-786-7448	Date: 02/13/2024
Agency Preparation: Van Huynh	Phone: 60-534-1512	Date: 02/14/2024
Agency Approval: Marianne McIntosh	Phone: 60-534-1505	Date: 02/14/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/15/2024

Request # 2255-2-1

## 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.*

Note: This fiscal note reflects language in EHB 2255, 2024 Legislative Session.

#### COMPARISON OF THE ENGROSSED BILL WITH THE ORIGINAL:

The engrossed bill adds a provision for the Liquor and Cannabis Board (LCB) to regularly ensure all cannabis licensees and third-party testing laboratories comply with any requirement of the LCB for the reporting of data or events to the Cannabis Central Reporting System.

#### CURRENT LAW:

Detecting and preventing the illegal inversion and diversion of cannabis and cannabis products into and out of Washington's Regulated Cannabis System (System) is not in the law.

#### PROPOSAL:

This bill adds to the Uniform Controlled Substances Act (Act).

The addition provides that the LCB will audit the data in the cannabis central reporting system to identify outliers or anomalies in data for inconsistencies in reporting, for purposes of identifying locations where either or both of the following activities are occurring in violation of the Act:

- Inversion of cannabis or cannabis products into the System involving a person licensed as a cannabis producer, processor, or retailer, purchasing or obtaining cannabis or cannabis products from an unauthorized person or source.
- Diversion of cannabis or cannabis products out of the System involving a person licensed as a cannabis producer, processor, or retailer, selling or transferring cannabis or cannabis products to an unauthorized person or recipient.

The bill also allows LCB to consider the following:

- The status of a business license issued by the Department of Revenue (department) and whether it is active and valid or has been suspended, revoked, canceled, or otherwise not been active and valid during any applicable time.
- Filings and reports related to taxes or business activity submitted to the department.

LCB will regularly ensure that all cannabis licensees and third-party testing laboratories comply with any requirement of the LCB for the reporting of data or events to the Cannabis Central Reporting System.

The "Cannabis Central Reporting System" is the system used by LCB for reporting events or information submitted by or on behalf of cannabis licensees and certified laboratories to LCB, as required by LCB.

#### EFFECTIVE DATE:

The bill takes effect 90 days after the final adjournment of the session.

### 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.

## 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

<b>Bill Number:</b> 2255 E HB	<b>Title:</b> Cannabis inversion/diversion	<b>Agency:</b> 195-Liquor and Cannabis Board
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**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: Jarrett Sacks	Phone: 360-786-7448	Date: 02/13/2024
Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 02/15/2024
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 02/15/2024
OFM Review: Val Terre	Phone: (360) 280-3973	Date: 02/15/2024

## 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): The board shall regularly audit the data in the cannabis central reporting system to identify outliers or anomalies in data for inconsistencies in reporting, for the purposes of identifying locations where either or both of the following activities are occurring in violation of this chapter, and undertaking enforcement to prevent their occurrence (outlined under this subsection)

Section 1(2): In addition to data in the cannabis central reporting system including reports of sales of cannabis and cannabis products, for the purpose of administering this section and preventing inversion and diversion of cannabis and cannabis products, the board may also consider and compare any books and records of cannabis licensees that the board has authority to inspect under this chapter and shall also consider and compare data or information (outlined under this subsection)

Section 1(3) requires the LCB to regularly ensure that all cannabis licensees and third-party testing laboratories comply with any reporting requirement of the LCB to report data or events to the LCB through the Cannabis Central Reporting System (CCRS).

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CHANGES MADE BY THE ENGROSSED HOUSE BILL:

NEW: Section 1(3) requires the LCB to regularly ensure that all cannabis licensees and third-party testing laboratories comply with any reporting requirement of the LCB to report data or events to the LCB through the Cannabis Central Reporting System (CCRS).

### 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.*

No fiscal impact to the agency as agency staff already do this work.

## 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.*