

Multiple Agency Fiscal Note Summary

Bill Number: 5546 2E S SB	Title: Cannabis commission
----------------------------------	-----------------------------------

Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Agriculture	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Total \$	0	0	0	0	0	0	0	0	0

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	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Agriculture	.0	0	0	0	.1	0	0	0	.1	0	0	0
Total \$	0.0	0	0	0	0.1	0	0	0	0.1	0	0	0

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 Agriculture	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

--

Prepared by: Matthew Hunter, OFM	Phone: (360) 529-7078	Date Published: Revised 2/28/2024
---	---------------------------------	---

Individual State Agency Fiscal Note

Bill Number: 5546 2E S SB	Title: Cannabis commission	Agency: 195-Liquor and Cannabis Board
----------------------------------	-----------------------------------	--

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: Peter Clodfelter	Phone: 360-786-7127	Date: 02/13/2024
Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 02/26/2024
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 02/26/2024
OFM Review: Val Terre	Phone: (360) 280-3073	Date: 02/26/2024

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 legislature finds that the Washington state liquor and cannabis board exists to promote safe communities and public safety. However, there is no agency to oversee research and education of the cannabis industry within the state. The legislature declares creation of a Washington state cannabis commission for the public purpose of administering the revenue of the commission will materially advance the producing and processing of cannabis, improve sustainability in the producing and processing sectors, and thereby the public interest.

Section 2(1), Section 2(2): Defines active cannabis producer and active cannabis producer/ processor as such licenses who reported gross income that is subject to tax under chapter 82.04 RCW in the calendar year before the date of a referendum under section 3 of this act.

Section 3: This chapter and the rules adopted under this chapter are for the purpose of fostering responsible and orderly agricultural production of cannabis. The legislature has granted authority to other state agencies to regulate the cannabis industry and nothing in this chapter should be interpreted to conflict with or supersede that other overriding regulatory authority.

(1): Provides that, upon receipt of a petition containing the signatures of five active cannabis producers or active cannabis producer/processors, the WSDA Director must conduct a referendum of active producers and producer/processors within 60 days of the petition's receipt.

(1b): Requires WSDA to create a list of active producers and producer/ processors eligible to vote in the referendum in collaboration with LCB and DOR.

(2): States that a referendum is approved if at least 51 percent of the referendum's participants vote affirmatively; and 40 percent of the active producers and 40 percent of the active producer/processors have been represented in the referendum.

(3): Provides that the Commission is not established, assessments are not collected, and the Director must not take further action to implement or enforce the chapter unless and until the requisite assent has been given in a referendum.

Section 5(2k): The Commission may obtain from the board a list of the names and addresses of producers, processors, producer/processors, and retailers, and such other available data from the state as requested by the commission with respect to the discharge of the duties of the commission.

Section 5(2n): The Commission may possess cannabis products for the limited purposes of section 4 of this act (research, education, training).

Section 7(1): The commission shall consist of 13 voting members: Eight producer or producer/processor members from the districts; one statewide at-large producer or producer/processor member; one statewide tier one or equally small producer or producer/processor member; one statewide tier two or equally medium producer or producer/processor member; one statewide tier three or equally large producer or producer/processor member; and the director.

Section 10: The commission shall deposit moneys collected under this chapter and section 15 of this act in a separate account in the name of the commission in any bank that is a state depository.

Section 11: The assessment imposed under section 15 of this act constitutes a personal debt of every person charged or who otherwise owes the assessment, and the assessment is due and payable to the commission.

Section 12(1) Financial and commercial information and records submitted to either the board or the commission to administer this chapter may be shared between the board and the commission.

Section 14: Costs incurred by the board for activities under this chapter must also be fully reimbursed by the commission. Costs incurred under this section must include initial estimates of work and line item accounting of the costs incurred.

Sec. 15. A new section is added to chapter 69.50 RCW to read as follows:

- (1) To provide for permanent funding of the cannabis commission, agricultural commodity assessments must be levied by the commission on all active cannabis producers and cannabis producer/processors as follows:
- (2) The assessment on each producer or producer/processor licensee is 0.29 percent of all sales revenues conducted by the licensee.
- (3) The commission must adopt rules prescribing the time, place, and method for payment and collection of this assessment
- (4) Requires that changes to the assessment must be submitted for approval by referendum and at least 60 percent of active cannabis producers and active cannabis processors subject to the assessment approve the modification and at least 40 percent of the active cannabis producers and producer/processors must have been represented.
- (5) Assessments collected under this section must be disbursed quarterly to the Washington state cannabis commission for use in carrying out the purposes of this act.
- (6) Until October 31, 2029, the assessments on producers and producer/processors in this section do not apply to a producer or producer/processor who is licensed through the cannabis social equity program created under this chapter.

CHANGES MADE BY THE SECOND ENGROSSED SUBSTITUTE:

New subsection 3(7): Allows, prior to conducting a referendum, the Director of Agriculture to require a deposit from the petitioners to defray the expenses of conducting the referendum. Requires the commission to reimburse the petitioners for the amount paid to the Department of Agriculture (department) when funds become available. Requires the petitioners to reimburse the department for expenses incurred if a referendum process is discontinued.

- Section 15(1): The Cannabis commission must impose and collect the assessment (rather than the LCB).
- Section 15(2): The 0.29 percent assessment applies to both producers and producer/processors (rather than the producer/processors receiving a lower 0.145% rate)
- Section 15(3): The commission must adopt rules prescribing the time, place, and method for payment and collection of this assessment.
- Section 15(6) Until October 31, 2029 (rather than 2028), the assessments on producers and producer/processors in this section do not apply to a social equity producer or producer/processor.

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.

No cash receipt impact as the cannabis commission will collect the assessments.

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 as the cannabis commission will collect the assessments.

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

Revised

Bill Number: 5546 2E S SB	Title: Cannabis commission	Agency: 495-Department of Agriculture
----------------------------------	-----------------------------------	--

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:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	0.1	0.0	0.1	0.1
Account					
Total \$					

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: 02/13/2024
Agency Preparation: Megan Finkenbinder	Phone: 360-902-2043	Date: 02/28/2024
Agency Approval: Lori Peterson	Phone: 360-974-9767	Date: 02/28/2024
OFM Review: Matthew Hunter	Phone: (360) 529-7078	Date: 02/28/2024

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 ESSB 5543, 2ESSB 5546 has the following changes as they relate to fiscal impacts for the Washington State Department of Agriculture (WSDA): Section 3 would authorize the WSDA director to require petitioners to deposit funds to defray WSDA's costs of conducting the referendum required in this section. Section 15 would require the Washington State Cannabis Commission (Commission) to adopt rules specifying timing, location, and payment and collection methods for the assessment established in the section.

The amendments summarized above would not change the fiscal impacts WSDA estimated for the previous version of the proposed legislation.

Under current law (Chapter 43.23 Revised Code of Washington (RCW)), Washington State Department of Agriculture (WSDA) consults with each commodity commission established under state law and is authorized to provide staff support to commodity commissions. The proposed legislation would establish a Washington State Cannabis Commission.

Section 1 would establish a Washington State Cannabis Commission (Commission) under Title 15 RCW.

Section 3 would require WSDA to conduct a referendum to establish the Washington State Cannabis Commission (Commission) upon receipt of a petition.

Section 4 would require WSDA to establish the Commission within 60 days of determining that requisite assent has been given in the referendum required in section 3.

Section 5 would require the Commission to comply with laws applicable to state agencies and commissions and would allow the Commission to enter into contracts or agreements to carry out the chapter.

Section 6 would designate WSDA as the Commission's rules coordinator, and all Commission rules would be subject to the WSDA Director's approval.

Section 7 would specify Commission membership.

Section 8 would require initial and replacement Commission board members to be appointed by the WSDA Director. The Director would be required to give priority to people representing the diverse communities of the state.

Section 9 would require the Commission to annually submit a budget and relevant planning documents to WSDA for approval and would require WSDA to review the Commission's education program to ensure it aligns with state and federal laws.

Section 14 would require the Commission to reimburse WSDA for any expenses incurred in carrying out the chapter.

Section 15 would require the Commission to impose and collect assessments from active cannabis producers and processors. WSDA would not be responsible for collecting the assessments.

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 14 would require the Commission to reimburse WSDA for any expenses incurred in carrying out the chapter.

Reimbursements of expenses would be recorded as offsetting expenses in Object S.

Section 15 would require the Commission to impose and collect assessments from active cannabis producers and processors. WSDA would not be responsible for collecting the assessments, which would be collected and managed by the Commission. WSDA assumes the Commission would determine assessment amounts and criteria through rulemaking. Because the assessment amount and the number of payers would be established during rulemaking, the revenue from the assessments cannot be estimated for the purposes of this fiscal note.

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 expenditure impact to Washington State Department of Agriculture (WSDA) is estimated to be less than \$50,000 in fiscal years (FYs) 2025 and ongoing each fiscal year thereafter. Per sections 3 and 14, the Commission would reimburse WSDA for expenses. WSDA would track time and expenses and invoice the Commission for costs. The cost estimates provided below are for informational purposes. Because costs would be reimbursed by the Commission, there would be no fiscal impact to WSDA.

Cost estimates are informed by WSDA's experience with other commodity commissions. WSDA assumes implementation would begin July 1, 2024.

WSDA's Commodity Commission Program Administrator (Commerce Specialist 5) would coordinate with other state agencies such as OFM and DES to establish the new Commission and provide information and training to Commission staff and board members in support of their compliance with state laws related to procurement, real estate, public records, and public meetings.

The WSDA Commodity Commission Program Administrator would coordinate the annual budget review process, including an initial review of the submitted documents, coordination of an internal review team and any follow-up with the Commission deemed necessary by the review team. The Administrator would finalize the documents for the WSDA Director's review and approval. The Administrator would complete an initial review of the education program and may need to consult with the Office of the Attorney General during initial review before submitting the education plan to the WSDA Director for review and approval. Any legal consultation time and costs are indeterminate for purposes of this fiscal note.

The WSDA Commodity Commission Program Administrator would serve as the rule coordinator and hearing officer for Commission rules. Rulemaking costs would be indeterminate until the Commission is established and begins to plan rulemaking procedures.

Ongoing WSDA Commodity Commission Program Administrator support would be needed for annual plan and budget reviews and support for elections and coordination of WSDA expense reimbursement.

0.05 FTE Commerce Specialist 5 would be needed in FY 2025 and ongoing each fiscal year thereafter to provide the coordination and support described above. Travel costs of \$540 are included in FY 2025 and ongoing each fiscal year thereafter for attending public hearings for rules and board elections.

One-time costs are estimated in FY 2025 for referendum process costs and supplies, printing, and distribution, estimated to be \$1,760. Rulemaking costs, supplies, printing, and distribution are estimated to be \$3,140 in FY 2025.

Ongoing printing and supply costs are estimated for board elections are estimated to be \$1,760 per year, starting in FY 2026

Total estimated costs to be reimbursed by the Commission:

FY 2025: \$12,970 and 0.05 FTE

FY 2026 and ongoing each fiscal year thereafter: \$9,830 and 0.05 FTE

Summary of cost assumptions by object:

Salary estimates are current biennium actual rates at Step L.

Benefits are calculated based on current standard statewide benefit rates.

Goods and Services are the agency average of \$8,600 per direct program FTE. Goods and Services also include building lease costs, estimated at \$3,800 per FTE per year, professional development costs estimated at \$500 per FTE per year, and personnel services charges, estimated to be 0.347% of salaries. Goods and services also includes \$3,140 in FY 2025 for incidental costs related to rulemaking, \$1,760 in FY 2025 for referendum printing and supplies, and \$1,760 in FY 2026 and ongoing each fiscal year thereafter for board election printing and supplies.

Travel includes an annual cost estimate of \$540 for rulemaking and board election travel.

Agency Administrative Overhead (shown as Object T) is calculated based on a rate of 24.6% of direct program salaries and benefits.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

III. B - Expenditures by Object Or Purpose

Table with 6 columns: Object, FY 2024, FY 2025, 2023-25, 2025-27, 2027-29. Rows include FTE Staff Years, A-Salaries and Wages, B-Employee Benefits, C-Professional Service Contracts, E-Goods and Other Services, G-Travel, J-Capital Outlays, N-Grants, Benefits & Client Services, S-Interagency Reimbursements, T-Intra-Agency Reimbursements, and Total \$.

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

Table with 7 columns: Job Classification, Salary, FY 2024, FY 2025, 2023-25, 2025-27, 2027-29. Rows include COMMERCE SPECIALIST 5 and Total FTEs.

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.

Section 6 would designate WSDA as the Commission's rules coordinator, and all Commission rules would be subject to the WSDA Director's approval. The proposed legislation would not require WSDA to adopt new rules, or repeal or revise existing rules; however, the WSDA Commodity Commission Program Administrator would work closely with the Washington State Cannabis Commission to coordinate adoption of administrative rules.



Multiple Agency Ten-Year Analysis Summary

Bill Number 5546 2E S SB	Title Cannabis commission
------------------------------------	-------------------------------------

This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

Estimated Cash Receipts

Liquor and Cannabis Board	0	0	0	0	0	0	0	0	0	0	0	0
Department of Agriculture Indeterminate Impact	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



Ten-Year Analysis

Bill Number 5546 2E S SB	Title Cannabis commission	Agency 195 Liquor and Cannabis Board
------------------------------------	-------------------------------------	--

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

No Cash Receipts **Partially Indeterminate Cash Receipts** **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code												
---------------------------	------------------	--	--	--	--	--	--	--	--	--	--	--	--

Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 2/26/2024 9:52:54 am
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 2/26/2024 9:52:54 am
OFM Review: Matthew Hunter	Phone: (360) 529-7078	Date: 2/18/2024 8:00:23 pm



Ten-Year Analysis

Bill Number 5546 2E S SB	Title Cannabis commission	Agency 495 Department of Agriculture
------------------------------------	-------------------------------------	--

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

No Cash Receipts

 Partially Indeterminate Cash Receipts

 Indeterminate Cash Receipts

Estimated Cash Receipts

Name of Tax or Fee	Acct Code											
Total												

Biennial Totals

Narrative Explanation (Required for Indeterminate Cash Receipts)

Section 15 would require the Commission to impose and collect assessments from active cannabis producers and processors. WSDA would not be responsible for collecting the assessments, which would be collected and managed by the Commission. WSDA assumes the Commission would determine assessment amounts and criteria through rulemaking. Because the assessment amount and the number of payers would be established during rulemaking, the revenue from the assessments can be estimated at this time.

Agency Preparation: Megan Finkenbinder	Phone: 360-902-2043	Date: 2/28/2024 12:09:33 pm
Agency Approval: Lori Peterson	Phone: 360-974-9767	Date: 2/28/2024 12:09:33 pm
OFM Review: Matthew Hunter	Phone: (360) 529-7078	Date: 2/18/2024 8:00:23 pm