

Multiple Agency Fiscal Note Summary

Bill Number: 1550 HB	Title: Cannabis
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Estimated Cash Receipts

Agency Name	2011-13		2013-15		2015-17	
	GF- State	Total	GF- State	Total	GF- State	Total
Administrative Office of the Courts	0	0	(419,404)	(419,404)	(419,404)	(419,404)
Office of State Treasurer	Non-zero but indeterminate cost. Please see discussion."					
Office of Administrative Hearings	0	0	0	19,200	0	19,200
Department of Revenue	0	0	88,624,000	88,760,000	98,047,000	98,197,000
Liquor Control Board	(382,945)	(382,945)	(3,651,894)	1,032,903,532	(1,959,463)	1,097,113,189
Washington State Patrol	0	0	0	52,000	0	52,000
Department of Social and Health Services	Non-zero but indeterminate cost. Please see discussion."					
Department of Agriculture	0	6,600	0	8,800	0	8,800
Total \$	(382,945)	(376,345)	84,552,702	1,121,324,128	95,668,133	1,194,970,785

Local Gov. Courts *				(580,956)		(580,956)
Local Gov. Other **	Non-zero but indeterminate cost. Please see discussion."					
Local Gov. Total				(580,956)		(580,956)

Estimated Expenditures

Agency Name	2011-13			2013-15			2015-17		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Administrative Office of the Courts	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Office of Administrative Hearings	.0	0	0	.0	0	19,200	.0	0	19,200
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Liquor Control Board	4.4	0	765,888	67.1	0	835,506,260	67.1	0	882,552,838
Washington State Patrol	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Department of Social and Health Services	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Department of Health	.0	0	0	.0	0	0	.0	0	0
Department of Corrections	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Sentencing Guidelines Commission	.0	4,950	4,950	.0	0	0	.0	0	0
Department of Agriculture	1.3	312,100	471,000	1.3	0	317,800	1.3	0	317,800
Total	5.7	\$317,050	\$1,241,838	68.4	\$0	\$835,843,260	68.4	\$0	\$882,889,838

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID 28121

FNS029 Multi Agency rollup

Local Gov. Courts *	Non-zero but indeterminate cost. Please see discussion.								
Local Gov. Other **	Non-zero but indeterminate cost. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Impact

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

Prepared by: Mike Steenhout, OFM	Phone: 360-902-0554	Date Published: Pending Distribution
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

Judicial Impact Fiscal Note

Bill Number: 1550 HB	Title: Cannabis	Agency: 055-Admin Office of the Courts
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2012	FY 2013	2011-13	2013-15	2015-17
General Fund-State 001-1				(419,404)	(419,404)
Counties				(424,982)	(424,982)
Cities				(155,974)	(155,974)
Total \$				(1,000,360)	(1,000,360)

Estimated Expenditures from:

Non-zero but indeterminate cost. Please see discussion.

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

The revenue and expenditure estimates on this page represent the most likely fiscal impact. Responsibility for expenditures may be subject to the provisions of RCW 43.135.060.

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.

Legislative Contact: Yvonne Walker	Phone: 360-786-7841	Date: 01/25/2011
Agency Preparation: Julia Appel	Phone: (360) 705-5229	Date: 01/28/2011
Agency Approval: Dirk Marler	Phone: 360-705-5211	Date: 01/28/2011
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 01/31/2011

Request # -1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact on the Courts

This bill eliminates penalties for the possession and consumption of cannabis; regulates and taxes the sale of cannabis by state government; and licenses cannabis growers.

The following sections will have some impact on the Washington Courts:

Section 37 amends RCW 66.36.010 to allow for a civil suit in superior court to abate and enjoin a nuisance caused by cannabis-related activity.

Section 43 amends RCW 69.50.101 to exempt marijuana/cannabis from the definition of controlled substance, and section 45 amends RCW 69.50.204 to remove marijuana/cannabis from the controlled substances listed in Schedule I.

Sections 2, 44, and 52 - 69, and 80 create new civil infractions, misdemeanor, gross misdemeanor, and felony crimes, or amend existing statutes related to the unlawful possession, sale, distribution, transportation, and growth of cannabis.

Section 72 amends RCW 9.94A.660 make a violation of the Uniform Controlled Substances Act involving a small quantity of cannabis eligible for the special drug offender sentencing alternative.

Section 74 amends RCW 9.92.070 allowing installment payment of fines and costs to exclude marijuana laws as well as liquor laws.

Section 75 amends RCW 13.04.155 to add a marijuana violation to the list of offenses requiring notification to the school and parent.

Sections 81 and 82 remove various kinds of marijuana-related paraphernalia from drug paraphernalia definitions and offenses.

Section 103 repeals RCW 69.50.4014, possession of forty grams or less of marijuana.

Section 108 provides an effective date of July 1, 2013 including all the above sections.

II. B - Cash Receipts Impact

Primary cash receipt impact will be from the repeal of RCW 69.50.4014 Possession of Less Than 40 grams of Marijuana, a misdemeanor. The current revenue from fines assessed for this crime is unknown due to fines being paid over time on cases that might include other charges. For the purposes of this fiscal note, and based on historical payment data, it is assumed that fines and costs assessed per conviction average approximately \$500, and that the collection rate is 20%. Based on convictions in 2010 (see below), this would result in a revenue reduction of approximately \$500,180 annually: \$209,702 to the state, \$212,491 to the counties, and \$77,987 to the cities.

Convictions for Possession of Less Than 40 Grams of Marijuana in 2010:

1,383 Municipal Court

2,893 District Court

293 Superior Court (adults)

667 Superior Court (juveniles)

There will also be some cash receipt impact because of the removal of marijuana as a Schedule 1 drug. According to the Sentencing Guidelines Commission, there were 570 felony convictions in 2008. The collection rate is very low on felony offenses, and the current revenue from the marijuana felony convictions is unknown. It is assumed that there would be a reduction in revenue but that it would be less than \$60,000 annually.

II. C - Expenditures

The following calculations are based on the filing rates below. It is unknown how much these potential reductions in caseload would be offset by filings under the new crimes in this bill or whether the potential reductions in judicial officers and staff would actually be realized. Therefore, the expenditure impact is indeterminate.

Filings for possession of less than 40 grams of marijuana, and for marijuana-related felonies:

2,604 Municipal Court
6,006 District Court
698 Superior Court - adults
1,217 Superior Court - juveniles
670 Superior Court - adult felonies (based on SGC conviction data from 2008 and assuming convictions are 85% of filings)

Potential Caseload Reduction:

Based on the attached assumptions, the reduction in filings related to the repeal of RCW 69.50.4014 and the declassification of marijuana as a Schedule I Controlled Substance could result in a reduction statewide of 2.08 judicial officers (most likely court commissioners) in superior court, 1.55 in district court, and 0.67 in municipal court with a corresponding reduction in supporting staff and operational expenses statewide. This could result in potential savings of \$2,443,204 to the counties, and \$888,111 to the cities.

However, these savings can only be realized if the number of judicial officers (most likely locally funded court commissioners) is reduced together with a corresponding reduction in staff. Based on current understaffing as a result of budget cuts in most jurisdictions, and the current judicial need gap (see below), it is unlikely that there would be reductions. It is more likely that judicial officers and staff would shift their focus to other caseload areas as well as to reducing caseload backlogs. Workload shifts are also dependent upon prosecutorial practices. Whereas marijuana-related filings would drop, prosecutorial emphasis might shift to other areas such as DUI or domestic violence.

Other Expenditures:

Changes to the judicial information system to implement this legislation will be minimal. Updates will take approximately 20 hours at \$120 per hour for a one-time cost to the state of \$2,400.

Judicial Need Gap:

There are currently 188 superior court judge positions. The statutorily mandated (RCW 2.56.030) objective workload methodology estimates a need for 255 superior court judges. This is a gap of 67 judge FTE. Thus, only 74% of the superior court judge need is currently being met by elected full-time superior court judges. Some jurisdictions have chosen to establish and fund court commissioner positions instead of elected judge positions. There are currently 58 FTE court commissioner positions.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

Individual State Agency Fiscal Note

Bill Number: 1550 HB	Title: Cannabis	Agency: 090-Office of State Treasurer
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.

Estimated Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

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: Yvonne Walker	Phone: 360-786-7841	Date: 01/25/2011
Agency Preparation: Dan Mason	Phone: 360-902-9090	Date: 01/31/2011
Agency Approval: Dan Mason	Phone: 360-902-9090	Date: 01/31/2011
OFM Review: Matthew Bridges	Phone: (360) 902-0575	Date: 01/31/2011

Request # 024-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

HB 1550 creates the cannabis revolving fund. Earnings from investments will be credited to the general fund.

Earnings from investments:

Estimated earnings from investments are indeterminable. Without projected cash flows, OST is unable to estimate the earnings from investments. The amount of earnings by an account is a function of the average daily balance of the account and the earnings rate of the investment portfolio. The average daily balance is a function of the beginning balance in the account and the timing & amount of receipts, disbursements, & transfers during the time period in question. Accordingly, even with a beginning balance of zero, two accounts with the same overall level of receipts, disbursements, and transfers can have different average daily balances, and hence different earnings.

Based on the November 2010 Revenue Forecast, the net rate for estimating earnings for FY 11 is 0.12%, FY 12 is 0.10%, and FY 13 is 1.63%. Approximately \$1,200 in FY 11, \$1,000 in FY 12, and \$16,300 in FY 13 in net earnings and \$5,000 in OST management fees would be gained or lost annually for every \$1 million increase or decrease in average daily balance.

Debt Limit:

There may be an impact on the debt service limitation calculation. Any change to the earnings credited to the general fund will change, by an equal amount, general state revenues.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

HB 1550 creates the cannabis revolving fund. Earnings from investments will be credited to the general fund.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

NONE

Part IV: Capital Budget Impact

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Revised

Bill Number: 1550 HB	Title: Cannabis	Agency: 110-Office of Administrative Hearings
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Part I: Estimates

☐

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2012	FY 2013	2011-13	2013-15	2015-17
Administrative Hearings Revolving Account-State 484-1				19,200	19,200
Total \$				19,200	19,200

Estimated Expenditures from:

	FY 2012	FY 2013	2011-13	2013-15	2015-17
Account					
Administrative Hearings Revolving Account-State 484-1	0	0	0	19,200	19,200
Total \$	0	0	0	19,200	19,200

Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

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- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Yvonne Walker	Phone: 360-786-7841	Date: 01/25/2011
Agency Preparation: Jane Habegger	Phone: 360-753-4625	Date: 01/28/2011
Agency Approval: Virgil Sweeney	Phone: 360-586-4949	Date: 01/28/2011
OFM Review: Diamatris Winston	Phone: (360) 902-7657	Date: 01/31/2011

Request # HB1550-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

HB 1550 provides for eliminating penalties for the possession and consumption of cannabis, regulation and taxing of the sale by the state of Washington and licensing of cannabis growers.

The regulation and licensing of growers is prescribed to the Liquor Control Board (LCB).

The Office of Administrative Hearings (OAH) conducts administrative hearings for the LCB.

OAH anticipates a minor increase in workload due to the provisions of this bill in the following areas:

(a) Hearings involving the suspension and cancellation of a license to grow cannabis, hemp or hemp products, under Section 25(4)(a) of the bill;

(b) Public Hearings involving a decision to issue a new license or renew a license to produce cannabis, hemp and hemp products under Section 25(9)(c);

(c) Hearings involving forfeited property seized from a person violating the law, under Section 87 of the bill.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

OAH would bill the Liquor Control Board for services provided. LCB's allocation for administrative hearings would need to be increased by \$9,600 per year beginning in FY2014.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Hearings involving the suspension or cancellation of a license will take an average of 8 hours of ALJ time to complete at a rate of \$96 per hour (\$768/hearing). OAH assumes five hearings per year.

Public Hearings involving the issuance or renewal of a license will take an average of 6 hours of ALJ time to complete at a rate of \$96 per hour (\$576/hearing). OAH assumes five hearings per year.

Hearings involving the seizure of property will take an average of 6 hours of ALJ time to complete at a rate of \$96 per hour (\$576/hearing). OAH assumes 2 hearings per year.

The fraction of an FTE would be absorbed within current levels.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years					
A-Salaries and Wages				9,600	9,600
B-Employee Benefits				4,400	4,400
C-Personal Service Contracts					
E-Goods and Services				5,200	5,200
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	\$0	\$0	\$0	\$19,200	\$19,200

Part IV: Capital Budget Impact

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Department of Revenue Fiscal Note

Bill Number: 1550 HB	Title: Cannabis	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2012	FY 2013	2011-13	2013-15	2015-17
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax				84,487,000	93,469,000
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax				4,137,000	4,578,000
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax				136,000	150,000
Total \$				88,760,000	98,197,000

Estimated Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

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:

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- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Yvonne Walker	Phone: 360-786-7841	Date: 01/25/2011
Agency Preparation:	Steve Smith	Phone: 360-534-1518	Date: 02/02/2011
Agency Approval:	Don Gutmann	Phone: 360-534-1510	Date: 02/02/2011
OFM Review:	Heather Matthews	Phone: (360) 902-0543	Date: 02/03/2011

Request # 1550-2-2

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Note: This fiscal note reflects a revision to the revenue impacts and supersedes fiscal note number 1550-1.

This bill legalizes the sale and use of cannabis and its derivatives, removes criminal penalties, and imposes a tax on the sale of cannabis. This fiscal note relates to the retail sales, use, and business and occupation (B&O) taxes administered by the Department of Revenue (Department).

The bill specifies that:

1. The sale and use of cannabis and its derivatives, by adults, is legalized as of July 1, 2013.
2. Cannabis will be distributed and controlled by the Washington State Liquor Control Board (LCB).
3. A cannabis tax equal to 15 percent per gram of cannabis sold will be administered and collected by the LCB.
4. The cannabis tax receipts will be deposited into a newly created cannabis revolving fund, and will primarily be used to support health care, alcohol and drug education programs and to discourage substance abuse.
5. The laws and rules governing cannabis sales will be comparable to those imposed on alcohol.
6. The majority of the bill, including the cannabis tax, is effective on July 1, 2013.

Although the bill does not specifically address the retail sales and use taxes on cannabis, existing sales tax laws would apply to sales of cannabis since it is tangible personal property. Sales tax applies to all sales of tangible personal property unless a specific exemption applies. There is no exemption in current law or in this bill to exempt the sale of cannabis from sales tax. Because the sale of cannabis is currently illegal there is no way for the Department to collect sales tax on cannabis sales. Thus, despite the fact that this bill does not affect the current-law sales tax treatment of cannabis sales, the bill will increase state and local sales tax revenue collections because the Department will be able to effectively collect the tax from the LCB on legal sales to the public.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS/DATA SOURCES

This fiscal note uses the market assumptions of the lead agency, the LCB. The market assumptions are based, in part, on a study by the United States Department of Health and Human Services, "Results from the 2007 national Survey on Drug Use and Health: National Findings."

Assumptions relating to the cannabis market and cannabis consumption:

It is assumed that ten percent of persons age 21 and over will consume legalized cannabis: five percent of those legal consumers will consume an average of two grams a day; the other ninety-five percent will consume an average of two grams a week. It is also assumed that one third of buyers will purchase discount products at \$3.43 a gram; one third will purchase mid-range product at \$10.00 per gram; and one third will purchase premium product at \$15.60 per gram.

Assumptions relating to Department excise taxes:

It is assumed that cannabis plants must be processed prior to retail sale. Instate processing will be subject to the (B&O) tax at the manufacturing rate. Imports will be subject to the B&O tax at the wholesaling rate for firms that have nexus with Washington. We have assumed instate processing for purposes of this fiscal note. For sales tax purposes, it is assumed that sales and use taxes on cannabis will apply to the total retail price, including the cannabis tax and a 15.5 percent LCB mark-up. Sales taxes will be collected by the LCB and remitted to the Department monthly. In Fiscal Year 2014 accrued sales taxes are assumed to apply to the total of:

Gross cannabis sales of \$581.5 million
15 percent cannabis tax 87.2 million

This results in a total retail value of \$668.8 million, the amount subject to state and local sales taxes. All jurisdictions are assumed to allow cannabis sales.

It is further assumed that the federal government will allow the legalization and sale of cannabis in Washington.

REVENUE ESTIMATES

This proposal will increase state general fund revenues by an estimated \$41.8 million in Fiscal Year 2014. Performance Audit Account receipts will rise by \$64,000 in that year. First year estimates reflect 11 months of tax collections.

Local sales taxes will rise by an estimated \$14.8 million in Fiscal Year 2014.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2012 - \$
FY 2013 - \$
FY 2014 - \$ 41,796
FY 2015 - \$ 46,964
FY 2016 - \$ 48,373
FY 2017 - \$ 49,824

Local Government, if applicable (cash basis, \$000):

FY 2012 - \$
FY 2013 - \$
FY 2014 - \$ 14,815
FY 2015 - \$ 16,646
FY 2016 - \$ 17,146
FY 2017 - \$ 17,660

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing

Retail sales and use taxes and B&O taxes would apply to sales of legalized cannabis. No changes would be required to the Department's existing tax collection processes. 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

Part IV: Capital Budget Impact

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and dexcribe potential financing methods

NONE

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

No rule-making required.

Individual State Agency Fiscal Note

Bill Number: 1550 HB	Title: Cannabis	Agency: 195-Liquor Control Board
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2012	FY 2013	2011-13	2013-15	2015-17
General Fund-State 001-1	(280,193)	(102,752)	(382,945)	(3,651,894)	(1,959,463)
Cannabis Revolving Account-State NEW-1				1,036,555,426	1,099,072,652
Total \$	(280,193)	(102,752)	(382,945)	1,032,903,532	1,097,113,189

Estimated Expenditures from:

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years	5.8	3.0	4.4	67.1	67.1
Account					
Liquor Revolving Account-State 501-1	560,385	205,503	765,888	7,303,787	3,918,924
Cannabis Revolving Account-State NEW-1	0	0	0	828,202,473	878,633,914
Total \$	560,385	205,503	765,888	835,506,260	882,552,838

Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

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.

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- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact: Yvonne Walker	Phone: 360-786-7841	Date: 01/25/2011
Agency Preparation: Michael Kashmar	Phone: 360-664-1690	Date: 02/07/2011
Agency Approval: Michael Kashmar	Phone: 360-664-1690	Date: 02/07/2011
OFM Review: Mike Steenhout	Phone: 360-902-0554	Date: 02/07/2011

Request # 1550 HB-3

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

(1) The legislature finds that:

a) The regulation and taxation of cannabis will generate revenue for health care programs, including effective drug education programs. Producing, selling, and shipping cannabis within Washington will also help create jobs in the agricultural sector;

(b) Regulating and selling cannabis will conserve state resources during the current period of fiscal constraint and create significant state revenue for health care and substance abuse treatment and prevention. Each year millions of dollars are wasted on prosecution of cannabis-related offenses. Regulation of cannabis will eliminate these expenses in addition to generating revenue; and

c) The state has an effective system for the regulation and taxation of alcohol.

2) Therefore, the legislature intends to promote commerce and competition within Washington by eliminating penalties for the possession and consumption of cannabis, regulating and taxing the sale of cannabis by state government, and licensing cannabis growers.

-- It is assumed that all jurisdictions would allow the sale of cannabis.

-- It is assumed that medical cannabis users would not impact or be impacted by this bill.

Fiscal impacts to the LCB pertain to the licensing, enforcement, distribution and retail sale of cannabis.

LICENSING

Section 4: The legalization of cannabis requires the creation of a new license type. Some features of the license, in the current bill form, are similar in nature to existing licensing activities, but is more comprehensive than any existing license type.

Section 5: Rules and regulations related to establishment of warehouses for the storage and packaging of cannabis.

Section 6: requires the board to adopt rules to establish procedures and criteria necessary to implement the bill by 12/31/2011:

- a. Rules to establish procedure and criteria for licensing of farmers;
- b. Establish rules, regulations, permits, and fees for growers;
- c. Determine quantity each grower may cultivate, grow, and store annually;
- d. Determine packaging and labeling criteria to be affixed prior to transport and distribution;
- e. Prescribe methods of growing, conditions of sanitation, ingredient quality and identity.

Section 20: Board may prescribe rules related to cannabis packaging, labeling, and affixing of official seal.

Section 25: Establish rules and regulations to license farmers of cannabis including:

- a. All kinds of manufacturers;
- b. Authorize licensees to produce, manufacture, grow, transport, and sell cannabis.

ENFORCEMENT

This measure requires that LCB inspect farms, monitor sales of cannabis in stores, and enforce the laws on the misuse of cannabis, very similar to what is done in the case of liquor. LCB would also be responsible for initiating and enforcing a

tax structure for this product.

RETAIL & DISTRIBUTION

This bill would require the Liquor Control Board to procure the product, as well as distribute and sell it at state and contract stores. This would add a significant workload to LCB operations and require additional staffing, training and fixtures. The greatest impact would be to retail operations but the purchasing and distribution functions are also impacted.

Assumptions regarding consumption: LCB is estimating about 10% of those of legal age will consume legalized cannabis, meaning 90% will abstain. This estimate is derived in part from the 2007 National Survey on Drug Use and Health. An average of 5% of users will consume 2 grams per day. The remaining users will consume 2 grams per week.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

IMPORTANT NOTE: These cash receipts are gross receipts, from which all expenses, including cost of product, need to be paid. Product costs are estimated to be \$406 million in FY14, \$418 million in FY15, \$431 million in FY16, and \$444 million in FY17.

General Fund State is reduced 50% on the dollar for each LCB dollar not covered by the 1% administrative distribution from the Cannabis account as indicated by the negative cash receipt. There will also be a negative impact to cities and counties as there will be less Liquor Revolving account funds to distribute(not shown).

There appears to be some ambiguity in the distribution of net revenues from this bill. Section 41 refers to city codes receiving allocated shares of distribution with respect to profit and excise. Section 42 appears to distribute all proceeds from cannabis sales to the Cannabis Revolving Fund to be distributed 77% to the Dept of Health, 20% to the Division of Alcohol and Substance Abuse (DASA) 2% to the Department of Agriculture, and 1% to LCB for administrative costs. For purposes of this fiscal note, it is assumed Section 42 takes precedence.

In FY14 for example, gross receipts of \$511million includes \$5 million from licensing fees, the remaining \$506 million is gross sales receipts, which contain revenue from 24.5% markup by the board as a pricing strategy. The net revenue number is gross revenue less costs of goods sold although the bill does not expressly address cost of goods sold. LCB is assuming a model similar to liquor with regard to cost of goods sold.

Revenue numbers displayed on this fiscal note represent total gross revenue (cost of goods sold has not been deducted).

- Based on the distribution of 77% Dept of Health, 20% DASA, 2% Dept of Agriculture, and 1% LCB, LCB would not retain enough to cover its operating expenses for the addition of cannabis (2.5% is needed).
- It is assumed that all jurisdictions would allow the sale of cannabis.
- It is assumed that medical cannabis users would not impact or be impacted by this bill.

LICENSING

Section 24 sets the annual license fees for farmers of cannabis at \$5,000. The estimated number of licenses issued per

year is 1,000. Therefore, LCB anticipates receiving \$5,000,000 per year in license fees.

RETAIL

Assumptions regarding consumption: LCB is estimating about 10% of those of legal age will consume legalized cannabis, meaning 90% will abstain. This estimate is derived in part from the 2007 National Survey on Drug Use and Health. An average of 5% of users will consume 2 grams per day. The remaining users will consume 2 grams per week.

Assumptions regarding sales: Alcohol sales will remain at current levels. All jurisdictions would allow the sale of cannabis. Sale prices assume US Price Index. Products will be sold in three different price bands (value, popular, and premium). Sales volumes will be split evenly between the three levels. Estimated sales growth is similar to alcohol (3%).

The estimated retail price per product is:

Value (low end) = \$1,536 per pound or about \$3.43 per gram;

Popular (mid) = \$4,480 per pound or about \$10.00 per gram;

Premium (high end) = \$6,993 per pound or about \$15.61 per gram.

First year estimates are as follows:

- 1) Estimated non-medical cannabis users is 444,060;
- 2) Estimated annual sales volume: 134,110 pounds (just over 60 million grams);
- 3) Estimated annual gross sales FY14: \$581,546,177;
- 4) Estimated tax revenue at 15% per gram is \$75,853,849;
- 5) Estimated markup of 24.5% per gram before expenditures is \$99,513,751.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Expenditures to fund this bill for LCB are assumed to be paid out of the new Cannabis Revolving Account (after cost of product has been deducted prior to distributions, and up to the 1% provided through distributions).

The remainder of administrative expenses not covered by the 1% are unfunded and will need to be covered by Liquor Revolving Fund monies. This will have a negative impact on General Fund and city/county quarterly distributions from liquor profits.

This bill provides for 1% of net sales (gross sales - COGS) to be kept for administrative purposes. It should be noted that COGS for purposes of this bill are being treated like those for liquor, as a nonappropriated expense. Based on the distribution of 77% to Dept. of Health, 20% to DASA, 2% to the Dept of Agriculture, and 1% LCB, LCB would not retain enough to cover its operating expenses for the addition of cannabis (2.5% is needed).

One-time costs include items such as security cameras, fixtures, signage, workstations, etc.

Ongoing expenses include salaries and benefits for adding 67.1 FTE. FTE additions include 46.6 for Retail, 11 for Enforcement, 3 for Licensing, and an additional 6.5 for agency overhead such as I.T., H.R., Audit and Financial support.

LICENSING

The legalization of cannabis requires the creation of a new license type. Some features of the license, in the current bill form, are similar in nature to existing licensing activities, but is more comprehensive than any existing license type.

Section 3: Rules and regulations related to establishment of warehouses for the storage and packaging of cannabis.

Section 6 of the bill requires the board to adopt rules to establish procedures and criteria necessary to implement the bill by 12/31/2011:

- a. Rules to establish procedure and criteria for licensing of farmers;
- b. Establish rules, regulations, permits, and fees for growers;
- c. Determine quantity each grower may cultivate, grow, and store annually;
- d. Determine packaging and labeling criteria to be affixed prior to transport and distribution;
- e. Prescribe methods of growing, conditions of sanitation, ingredient quality and identity.

Section 4: Board may prescribe rules related to cannabis packaging, labeling, and affixing of official seal.

Section 6: Establish rules and regulations to license farmers of cannabis including:

- a. All kinds of manufacturers;
- b. Authorize licensees to produce, manufacture, grow, transport, and sell cannabis.

ENFORCEMENT

This measure requires that LCB inspect farms, monitor sales of cannabis in stores, and enforce the laws on the misuse of cannabis, very similar to what is done in the case of liquor. LCB would also be responsible for initiating and enforcing a tax structure for this product.

RETAIL & DISTRIBUTION

This bill would require the Liquor Control Board to procure the product, as well as distribute and sell it at state and contract stores. This would add a significant workload to the LCB's operations and require additional staffing, training and fixtures. The greatest impact would be to our retail operations, but also impacts distribution and purchasing.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years	5.8	3.0	4.4	67.1	67.1
A-Salaries and Wages	431,065	129,876	560,941	5,282,076	5,282,076
B-Employee Benefits	129,320	45,337	174,657	2,121,572	2,121,572
C-Personal Service Contracts					
E-Goods and Services		6,900	6,900	191,370	171,120
G-Travel		5,000	5,000	219,520	219,520
J-Capital Outlays		18,390	18,390	3,149,211	1,400
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-Cost of Goods Sold				824,542,511	874,757,150
Total:	\$560,385	\$205,503	\$765,888	\$835,506,260	\$882,552,838

III. B - 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 2012	FY 2013	2011-13	2013-15	2015-17
Administrative Assistant 3	40,524				1.0	1.0
Auditor 4	53,148				2.0	2.0
Clerks	31,956				36.1	36.1
District Manager	60,000				0.5	0.5
Fiscal Analyst 1	41,508				2.0	2.0
Fiscal Analyst 2	45,828				1.0	1.0
Human Resources Consultant 2	53,148				0.5	0.5
Human Resources Consultant 3	58,656				1.0	1.0
Information Technology Specialist 3	68,740	0.8	0.0	0.4	0.0	0.0
Information Technology Specialist 4	71,496	2.3	0.0	1.2		
Information Technology Specialist 5	78,900	2.7		1.3		
Liquor Enforcement Officer 2	55,836				10.0	10.0
Management Analyst 3	54,504				2.0	2.0
Office Assistant 3	33,468		1.0	0.5	1.0	1.0
Procurement Officer 3	54,504				1.0	1.0
Program Coordinator	39,516		1.0	0.5	1.0	1.0
Program Manager B	55,504		1.0	0.5	1.0	1.0
Warehouse Operator 2	34,260				7.0	7.0
Total FTE's	931,496	5.8	3.0	4.4	67.1	67.1

III. C - Expenditures By Program (optional)

Program	FY 2012	FY 2013	2011-13	2013-15	2015-17
Board Program (010)				230,848	225,198
Finance Program (020)				700,840	670,190
Business Enterprise (040)				7,684,010	4,617,508
Licensing (050)		202,399	202,399	368,018	368,018
Enforcement (060)				1,978,099	1,912,840
Information Technology (070)	560,385	3,104	563,489	1,934	1,934
Non appropriated (080)				824,542,511	874,757,150
Total \$	560,385	205,503	765,888	835,506,260	882,552,838

Part IV: Capital Budget Impact

NONE

n/a

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Due to the LCB's resource availability, the Licensing Division would require extensive technical and professional support from the Department of Agriculture to devise rules necessary to implement this legislation. LCB may adopt agricultural model rules to define the cannabis farmer's production methods, storage requirements, processing requirements, manufacturing requirements, and packaging requirements. Currently the Department of Agriculture has four separate programs to perform the regulatory aspects required for product safety:

- Plant Services Program – regulates inspection of licensed retail and wholesale nurseries;
- Seed Inspection Program – Perform field inspections, seed analysis, sanitation and related certification;
- Agricultural Land Use – Enforce land use regulations;
- Pesticide Management Program – Perform field inspection, licensing, and certification of pesticides and fertilizers approved for use within the state.

Request # 1550 HB-3

The Warehouse Audit Program currently enforces grain storage regulation. The mission of this program could encompass cannabis crop storage.

The Licensing Division would also require technical and professional support from Washington State Department of Transportation to promulgate rules related to product distribution.

New sections for rule development:

- Section 4 Warehouse Licensing; License manufacturers, producers, transportation, and sale.
- Section 30 Rules prescribing packaging and labeling of cannabis;

Individual State Agency Fiscal Note

Revised

Bill Number: 1550 HB	Title: Cannabis	Agency: 225-Washington State Patrol
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2012	FY 2013	2011-13	2013-15	2015-17
Fingerprint Identification Account-State 225-1				52,000	52,000
Total \$				52,000	52,000

Estimated Expenditures from:

Non-zero but indeterminate cost. Please see discussion.
--

Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

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: Yvonne Walker	Phone: 360-786-7841	Date: 01/25/2011
Agency Preparation: Melissa Stricklett	Phone: 360-596-4072	Date: 01/31/2011
Agency Approval: Heidi Thomsen	Phone: (360) 596-4046	Date: 01/31/2011
OFM Review: Alyson Cummings	Phone: 360-902-0576	Date: 01/31/2011

Request # 0042-2

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

This bill legalizes cannabis for everyone 21 years of age and older. Cannabis, all its parts and derivatives would be removed from the list of scheduled substances. This bill would utilize the current alcohol distribution system and the Liquor Control Board (LCB) to tax and distribute cannabis. Cannabis and related products of all kinds could be produced with a license from the Department of Agriculture (DOA). Marijuana would be packaged with a tax stamp like cigarettes. Possession of non-taxed cannabis would be illegal. The goal of this bill is to generate an estimated \$400 million in new taxes through a 15% state sales and fees which would be used for health care, drug treatment and prevention.

The LCB would have regulatory authority over the sales of cannabis. Those under 21 in possession would be subject to civil infractions. There are provisions for minors to legally use marijuana when provided by a physician, dentists, parent or guardian or in conjunction with a religious service.

The importation of marijuana from out of state, or from non-licensed providers would largely remain a felony. Selling untaxed cannabis would be a criminal offense with penalties.

The WSP Identification Section is tasked with providing criminal history checks for DOA and LCB as requested to facilitate the licensing process for producers and retailers.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

According to the Liquor Control Board, there will be an estimated 1,000 additional fingerprint-based background checks a year as a result of HB 1550 (effective date of July 1st, 2013). Assuming these are submitted via the mail, WSP charges \$45.25 for these checks, of which \$19.25 is passed to the FBI and the remainder (\$26) is WSP's fee.

Estimated additional annual revenue for the Fingerprint Identification Account is:

1,000 background checks per year x \$26 = \$26,000

If the fingerprint-based background checks are submitted electronically, the annual revenue would be estimated at \$16,000 as our fee is \$16 per check for electronic submittals. For the purposes of this fiscal note, we are assuming that requests will be submitted via the mail.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Additional costs related to this bill are indeterminate as we do not know the extent to which legalizing cannabis will have an impact on DUIs and enforcement. Estimates provided below outline the potential costs related to this bill.

The cost of extra training for all officers, increase in work for everyone including professional staff to type warrants, Property and Evidence Custodians to include possible expansion of evidence storage and the cost of drawing blood samples (average \$44 per sample) would be significant.

We do not expect a decrease in expenditures because we assume there could be a correlated increase in DUIs involving cannabis alone and cannabis and alcohol combined due to the increased availability of cannabis. We also anticipate a significant percentage of current cannabis users will not purchase cannabis produced by the state.

Due to a possible increase in DUIs involving cannabis, our officers would need Drug Recognition Expert (DRE) training or certification to properly address removing impaired drivers from our state's roadways. At a minimum, all officers would need to become Drug Impaired Driving (DID) certified officers. Currently, State Patrol troopers are trained at the Washington State Patrol Academy and receive the DID course during the basic cadet class. This training will need to be included in the yearly Trooper Trimester training (decentralized training). The class would consist of 20 FTEs for 5 hours of training, including travel. This class would cost approximately \$16,950 for 2 instructors per class, 6 hours of preparation time and per diem charges. This would also require 3,793 hours a year that these troopers would be off the road and not handling calls for service.

With the possibility of increasing DUIs involving cannabis, we would need to increase the number of Drug Recognition Experts (DRE) and gradually require this for all troopers. This class is 3 weeks of training with a class size of 15 at the cost of approximately \$40,000 per class. To certify all 700 troopers, it would cost approximately \$1,870,000. To certify all 9,000 officers in Washington State, it would cost approximately \$2,400,000.

In our Commercial Vehicle Division there are 127 Commercial Vehicle Enforcement Officers (CVEOs) and 68 Commercial Vehicle Division Troopers (CVD) that will need the DID training. Currently the CVEOs receive a modified 4 hour version of this training. The DID 5 hour training would occur yearly at decentralized training. This would require 975 hours a year that these officers would be off the road and not contacting commercial vehicles.

WSP's Identification Section, using its workload impact model, estimates that HB 1550 will impact its workload equivalent to about 0.31 FTEs a year, assuming submissions via mail. Estimates for goods and services, travel and equipment are based on our rule-of-thumb costs per FTE, which are derived from historical expenditures. If we find that the costs are significantly higher, we will request additional funding through the legislative budget process.

If the checks were submitted electronically, the estimated impact is about 0.15 FTEs, which would cost about \$11,400 in FY 2014 and \$9,980 in later fiscal years.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

NONE

This proposed legislation has no impact on the agency's capital budget.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

This proposed legislation has no impact on the agency's rules.

Individual State Agency Fiscal Note

Bill Number: 1550 HB	Title: Cannabis	Agency: 300-Dept of Social and Health Services
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.

Estimated Expenditures from:

Non-zero but indeterminate cost. Please see discussion.

Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

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: Yvonne Walker	Phone: 360-786-7841	Date: 01/25/2011
Agency Preparation: Edward Giger	Phone: 360-902-8067	Date: 01/27/2011
Agency Approval: Dan Winkley	Phone: 360-902-8179	Date: 01/27/2011
OFM Review: Adam Aaseby	Phone: 360-902-0539	Date: 02/01/2011

Request # 11HB1550.1-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 1 legalizes cannabis; removes all existing civil and criminal penalties for adults twenty-one years of age or older who cultivate, possess, transport, sell, or use marijuana, without impacting existing laws proscribing dangerous activities while under the influence of marijuana, or certain conduct that exposes younger persons to marijuana; and raises funds and discourages substance abuse by the imposition of a tax on the legal sale of marijuana, the proceeds of which will support drug education and awareness.

Section 42 requires twenty percent of funds in the marijuana revolving account to be transferred to the Division of Alcohol and Substance Abuse (DASA) in the Department of Social and Health Services (DSHS) for substance abuse treatment and prevention.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Section 42 requires twenty percent of funds in the marijuana revolving account to be transferred to DSHS DASA for evidence based substance abuse treatment and prevention. This will have an indeterminate fiscal impact because it is unknown how much will be collected in taxes.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

NONE

None

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

None

Individual State Agency Fiscal Note

Bill Number: 1550 HB	Title: Cannabis	Agency: 303-Department of Health
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Part I: Estimates

☒ **No Fiscal Impact**

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

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.

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- ☐ 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: Yvonne Walker	Phone: 360-786-7841	Date: 01/25/2011
Agency Preparation: Danny Howard	Phone: (360) 236-4625	Date: 02/04/2011
Agency Approval: Patty Steele	Phone: 360-236-4530	Date: 02/04/2011
OFM Review: Nick Lutes	Phone: 360-902-0570	Date: 02/07/2011

Request # 11-063-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

ASSUMPTIONS: No Fiscal Impact to the Department of Health

While the bill suggests that DOH license sellers of cannabis, the bill provides no authority to do so. DOH cannot assume rulemaking, licensing, disciplinary, IT, or other costs when DOH has not been given authority to regulate these persons. It is unclear what the purpose of the Cannabis Revolving Fund funds transfer in Section 42 of the bill would be used for.

Section 2: Defines “cannabis licensed seller” as a person licensed to sell cannabis and hemp at retail, licensed by the Department of Health (DOH).

Section 25: Requires the Liquor Control (LCB) Board to notify DOH when LCB suspend or cancels the producer’s license. DOH is then required to notify all licensed sellers of cannabis and hemp in the state of the suspension or cancellation of the license.

Section 28: LCB, in conjunction with DOH and the Department of Agriculture, will adopt rules by December 31, 2012.

Section 42: Every three months, the LCB is directed to distribute 77 percent of the moneys in the Cannabis Revolving Fund to DOH. The department is assuming no cash receipts for this transfer to DOH as it is unclear what the purpose of the transfer would be used for.

Sections 43-48: Removes cannabis, marijuana, and THC from the state Controlled Substances Act, which is regulated by the DOH Pharmacy Board.

Section 97: When a municipality votes to not permit the sale of cannabis, DOH is to notify all licensed sellers “immediately” within that jurisdiction.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 1550 HB	Title: Cannabis	Agency: 310-Department of Corrections
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

Non-zero but indeterminate cost. Please see discussion.

Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

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: Yvonne Walker	Phone: 360-786-7841	Date: 01/25/2011
Agency Preparation: Ronna Cole	Phone: 360-725-8263	Date: 02/01/2011
Agency Approval: Susan Lucas	Phone: (360) 725-8277	Date: 02/01/2011
OFM Review: Adam Aaseby	Phone: 360-902-0539	Date: 02/02/2011

Request # 048-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Part I (Section 1) – Legislative intent to regulate and tax the usage of cannabis.

Part II (Section 2 through 23) – Gives the legal control to purchase and sell cannabis to the Liquor Control Board.

Part III (Section 24 through Section 36) – Outlines the license requirements, packaging, permits, and Identification of growers.

Part IV (Section 37 through Section 39) – requires the Department of Agriculture to work in conjunction with the Liquor Control Board and storage requirements.

Part V (Section 40 through 42) creates the Cannabis Revolving Fund and requirements for collection of the taxation for the sale of cannabis.

Part VI (Section 43 through Section 90) outlines the Crimes, Enforcement and Penalty's.

Section 43 modifies RCW 69.50.101 excluding the cannabis plant and derivatives from the definition of a controlled substance. The proposal further modifies the definitions by eliminating subsection (q) which defines marijuana.

Section 45 modifies RCW 69.50.204 eliminating marijuana.

Section 47 modifies RCW 69.50.401 removing marijuana from the felony drug offense.

Section 48 modifies RCW 69.50.435 removing marijuana from the felony drug offense.

Section 49 modifies RCW 66.44.010 creating local fines for cultivation, transportation, possession, distribution, importation, and sale of cannabis.

Section 66 creates a new Class C felony for intrastate transporting of cannabis if he or she transports illegal cannabis within the state that involves more than 15 plants or one pound of cannabis.

Section 67 creates a new Class C felony for transporting cannabis if he or she imports cannabis into Washington from another State or Country. The new offense is ranked at Seriousness Level I on the Drug Grid.

Section 68 creates a new Class C felony to compensate, threaten, solicit, or in any other manner involve a person under the age of twenty-one years in a transaction unlawfully to produce, sell, or supply cannabis. The new offense is ranked at seriousness level III on the Drug Grid.

Section 71 modifies RCW 9.94A.650 removing marijuana from the FTOW eligible offenses.

Section 72 modifies RCW 9.94A.660 modifies DOSA Sentencing Alternative to allow the new felony offenses for cannabis to be eligible for a DOSA sentence

Part VII (Section 90 through 98) outlines the local preemption.

Part VIII (Section 99) outlines the policies for Higher Education to notify potential students of housing areas where liquor and cannabis is prohibited.

Part IX (Section 100 and Section 101) State Government

Part X (Section 102 through 109) Miscellaneous including an effective date of July 1, 2011.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

The proposed bill would legalize the usage of cannabis. The proposed bill decriminalizes the current felony (and non felony) offenses for the possession, use, and manufacture of cannabis. The proposed bill creates new civil infractions and misdemeanor offenses for the illegal use of cannabis. The proposed bill does create 3 new offenses for illegally transporting or involving someone under the age of 21 in the transaction to produce, sell, or supply cannabis.

Prison Bed Impacts:

The Sentencing Guidelines Commission (SGC) reports that there were 615 drug sentences in FY10 affected by the proposed language.

- 550 were for Manufacture/Deliver/Possess with Intent to Deliver Marijuana;
- 135 First Time Offender Waiver Sentences; and
- Drug Offender Sentencing Alternative Sentence
- SGC assumes 4% of the possession charges were for Marijuana.

The assumptions used by SGC are outlined in the SGC fiscal note for this bill. SGC estimates that the Department's institutional ADP will decrease by (17) in FY12, (28) in FY13, (29) in FY14, (29) in Fy15, (29) in FY16, and (29) in FY17.

SGC outlines in their fiscal note several additional factors that may impact prison ADP. Many offenders have been sentenced for previous drug crimes. The Department could see a reduction in sentence length by the marijuana crimes no longer being counted in an offenders score after the effective date of this proposed legislation. There is no way to predict the savings if any to prison beds. SGC also notes that First Time Offender Waiver and Drug Offender Sentencing Alternative sentences may reduce by the legalization of cannabis use. Additionally the number of convictions for Controlled Substance Homicide and Create, Deliver, or Possess a counterfeit Substance may also be reduced by the legalization of marijuana. SGC and the Department are unable to determine the prison bed savings for the proposed

change.

SGC is unable to predict the number of prison sentences for the 3 new cannabis crimes created by the proposed legislation. Because portions of this bill are indeterminate, the Department is unable to predict the impacts to Prison. The Department assumes that more than 5 offenders per year will be sentenced for these new crimes. Although these impacts are indeterminate, the Department believes the impacts will be over \$50,000 per year.

Community Corrections Impacts:

SGC has estimated the reductions to community custody based on the sentence reductions to jails and prisons. The assumptions used by SGC are outlined in the SGC fiscal note for this bill. SGC estimates that the Department's Community Custody caseload will decrease by (97) in FY12, (256) in FY13, (274) in FY14, (274) in FY15, (275) in FY16, and (275) in FY17.

SGC is unable to predict the number of community custody sentences that may result from the new crimes created in the proposed legislation. Because portions of this bill are indeterminate, the Department is unable to predict the impacts to Community Custody.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 1550 HB	Title: Cannabis	Agency: 325-Sentencing Guidelines Commission
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Part I: Estimates

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No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2012	FY 2013	2011-13	2013-15	2015-17
Account					
General Fund-State 001-1	4,950	0	4,950	0	0
Total \$	4,950	0	4,950	0	0

Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

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: Yvonne Walker	Phone: 360-786-7841	Date: 01/25/2011
Agency Preparation: Keri-Anne Jetzer	Phone: 360-407-1070	Date: 02/01/2011
Agency Approval: Duc Luu	Phone: 360-407-1075	Date: 02/01/2011
OFM Review: Adam Aaseby	Phone: 360-902-0539	Date: 02/02/2011

Request # 325-11-024-2

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

This bill would require modification of the Commission’s database and data entry programs. The agency’s budget does not have funding for updating the database or data entry programs. We estimate it would take approximately 45 hours to update the database or data entry programs to reflect the change in this bill. Using a fee estimate of \$110/hr, the cost would be \$4,950.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Personal Service Contracts					
E-Goods and Services	4,950		4,950		
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	\$4,950	\$0	\$4,950	\$0	\$0

Part IV: Capital Budget Impact

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

HB 1550
REGULATING CANNABIS
325 – Sentencing Guidelines Commission
February 1, 2011

SUMMARY

A brief description of what the measure does that has fiscal impact.

- Section 1 Creates a new section explaining legislative intent to regulate and tax cannabis to generate revenue, create jobs, conserve state resources, and promote commerce and competition in the state similar to the regulation and taxation of alcohol.
- Section 2 Amends RCW 66.04.010 to add definitions for cannabis, cannabis farmer, cannabis labeling, cannabis licensed producer, cannabis licensed seller, cannabis package, cannabis products, hemp, hemp products, THC concentration, and useable cannabis.
- Section 3 Amends RCW 66.08.026 to add a cannabis revolving fund to cover the administrative expenses of the liquor control board. These administrative expenses shall not include the costs of cannabis and hemp products, costs pertaining to the acquisition and receipt of hemp products, and or transaction fees associated with debit or credit card purchases for cannabis and hemp products.
- Section 4 Amends RCW 66.08.030 to give the board the authority to make regulations related to cannabis commerce. This includes the prescribing of an official cannabis seal, official label and stamp, and determining the manner in which they shall be attached to every package of cannabis sold or sealed under this title and the prescribing of different official seals or labels for different varieties of cannabis; the specifying and regulating the delivery, conveyance, and carrying of cannabis within the state; providing cannabis farmer inspection and reporting forms; working with the department of agriculture in prescribing methods, conditions, and standards for cannabis farmers; and seizing, confiscating, and destroying all illegal cannabis produced, sold, or offered for sale that does not conform to the prescribed standards and regulations.
- Sections 5-20 Outlines additional rights and responsibilities of the board in relation to cannabis commerce.
- Section 21 Amends RCW 66.16.070 stating that no employee shall open or consume cannabis or allow cannabis to be opened or consumed on state liquor store premises.
- Section 22 Amends RCW 66.16.090 making board records showing individual purchases of cannabis confidential and a violation of this a misdemeanor.
- Section 23 Amends RCW 66.16.120 to exempt employees in state liquor stores from work on their Sabbath if selling cannabis on that day would violate their religious beliefs.
- Section 24-29 Outlines a process for the licensing of cannabis farmers and hemp product manufacturers.
- Section 30 States that cannabis repackaging must comply with the requirements of the Washington food processing act, chapter 69.07 RCW, and all rules related to that act's purpose.

- Section 31-36 States provisions related to cannabis permits, licenses, and ID's. Any person who transfers in any manner an identification of age to a minor for the purpose of them to obtain marijuana (or alcohol) shall be guilty of a misdemeanor punishable as provided in 9A.20.021 except that a minimum fine of \$250 shall be imposed on any sentence requiring community restitution shall require not fewer than 25 hours of community restitution. Amends RCW 66.20.210 to limit criminal prosecution and civil suit against store employees when they acted in good faith.
- Section 37 Cannabis operations that violate the provisions of this title shall be declared a public nuisance.
- Section 38 Adds a new section to chapter 43.23 RCW instructing the department of agriculture to work with the liquor control board to regulate cannabis and hemp production and commerce.
- Section 39 Adds new section to chapter 66.12 RCW regarding cannabis storage.
- Section 40-41 Sets a state sales tax of 15% per gram on cannabis and deposits in the cannabis revolving fund. To receive its share of cannabis taxes and profits, each city and county must devote at least 2% of its share to support an approved chemical dependency treatment program.
- Section 42 Creates cannabis revolving fund.
- Section 43 Amends RCW 69.50.101 to make an exception for cannabis in the definition of "controlled substance" and remove the definition of "marijuana".
- Section 44 Amends RCW 69.50.201 to remove cannabis as a possible substance that the state board of pharmacy shall regulate
- Section 45 Removes THC and marijuana from the list of schedule 1 drugs in RCW 69.50.204.
- Section 46 Amends RCW 69.50.4013 to remove RCW 69.50.4014 (possession of 40 grams or less of marijuana) as an exception.
- Section 47 Amends RCW 69.50.410 to remove the exception for the leaves and flowering tops of marijuana.
- Section 48 Amends RCW 69.50.435 to remove the exception for the leaves and flowering tops of marijuana.
- Section 49 Amends RCW 66.44.010 to add duty of county and municipal peace officers of investigating and prosecuting cannabis related commerce violations, the related fines, and the enforcement power of the board.
- Section 50 Amends RCW 10.31.100 (arrest without a warrant) to remove the use or possession of cannabis.
- Section 51 Amends RCW 66.44.040 (Sufficiency of description of offenses in complaints, informations, process, etc under alcoholic beverage control) to add cannabis.
- Section 52 No licensed seller or employee or agent of a licensed seller shall consume or allow others to consume or open cannabis on shop premises and a violation is a class 3 civil infraction under chapter 7.80 RCW.
- Section 53 Prohibits a person from opening a package of cannabis or smoking cannabis in a public place, a person will be guilty of a class 3 civil infraction under chapter 7.80 RCW.

- Section 54 Creates a penalty for every person who shall sell or offer for sale cannabis without government stamp or seal, or who shall operate a cannabis business without a license, shall be guilty of a gross misdemeanor and upon first conviction be fined not less than five hundred dollars and confined in the county jail not less than six months. Upon second and subsequent conviction they shall be fined not less than one thousand dollars and confined in the county jail not less than one year.
- Section 55 Any person who buys cannabis from any person other than the board, a state or contract liquor store, or some person authorized by the board to sell cannabis is guilty of a misdemeanor.
- Section 56 Except for approved sellers as outlined within the title, every person who sells cannabis shall be guilty of a violation of the title.
- Section 57 Except in the case of liquor or cannabis being dispensed by a physician or dentist or sold upon a prescription, no person shall procure, supply or assist in supplying marijuana for anyone whose permit is suspended or has been cancelled.
- Section 58 Every person engaged wholly or in part in the business of carrying passengers for hire and knowingly permits any person to smoke or consume cannabis (or drink liquor), with some exception, in any public conveyance, is guilty of a misdemeanor.
- Section 59 Every person who smokes or consumes cannabis in any public conveyance is guilty of a misdemeanor.
- Section 60 Makes unlawful for any person to sell, give or otherwise supply cannabis to any person under the age of twenty-one years or permit any person under that age to smoke or consume cannabis or liquor on his or her premises or premises under his or her control. It is unlawful for a person under the age of twenty-one years to possess, consume, or otherwise acquire cannabis and a violation is a class I civil infraction punishable under chapter 7.80 RCW if the violation involves less than fifteen plants or less than one pound of cannabis. A violation is a gross misdemeanor under RCW 9A.20.021 if the violation involves fifteen or more plants or one pound or more of cannabis. In addition, the court shall require each person under the age of 21 years to participate in alcohol and drug information school. This does not apply to those under twenty-one given cannabis for medicinal purposes by a parent, guardian, physician, or dentist or that which is used in connection with religious services and the amount consumed is the minimal amount necessary for the religious service. Conviction or forfeiture of bail for a violation of this section by a person under the age of twenty-one is not a disqualification of that person to acquire a license to grow or sell cannabis after that person has attained the age of twenty-one years.
- Section 61 Every person under the age of 21 years who purchases or attempts to purchase cannabis shall be guilty of a class I civil infraction.
- Section 62 The Board shall forward notification of any hearings where an employee was found to have sold marijuana to a minor.
- Section 63 It is a Class I civil infraction for a person under the age of twenty-one to represent their age as twenty-one or older for the purpose of buying cannabis or securing admission to or remaining in an area classified by the board as off-limits to such a person.

- Section 64 It is a misdemeanor punishable under RCW 9A.20.021 to transfer an ID to a minor for the purpose of permitting the minor to obtain cannabis, except that a minimum fine of \$250 shall be imposed any sentence requiring community restitution shall require not fewer than 25 hours of community restitution. The corroborative testimony of a witness other than the minor shall be a condition precedent to conviction.
- Section 65 A person 21 years of age or older may produce cannabis in their home or yard provided that it is not visible from a public place (other than air space), it is no more than one cannabis garden that does not exceed fifty square feet in size, it is on property owned or lawfully leased by the person producing it, any gratuitous transfers of cannabis does not exceed one ounce, and it is not produced in a manner or place that a reasonable person would know to be open to the view of a person moving through a public space. A violation is a gross misdemeanor.
- Section 66 A person is guilty of a class C felony of intrastate transporting of cannabis if he or she transports fifteen or more plants or one pound or more of illegal cannabis within the state.
- Section 67 A person is guilty of a class C felony and subject to a fine of no less than \$5,000 of interstate transporting of cannabis if he or she imports cannabis into Washington from any other state or country.
- Section 68 It is a class C felony to compensate, threaten, solicit, or in any other manner involve a person under the age of 21 in a transaction to produce, sell, or otherwise supply cannabis.
- Section 69 Amends RCW 9.94A.518 to make the class C felony described in section 68 of this bill (involving minor in cannabis production or sale) a seriousness level III drug offense and the class C felony described in section 67 of this bill (interstate transport) a seriousness level I drug offense.
- Section 70 Clarifies the language in RCW 9A.16.120, Outdoor Music Festival-Detention to ensure that cannabis is still a basis for detention in a reasonable manner. It was formerly included in the definition “illegal drugs” and is now listed individually.
- Section 71 Removes the selling of the leaves and flowering tops of marijuana from the language regarding the exceptions to the first time offender waiver in RCW 9.94A.650.
- Section 72 Adds cannabis violations to RCW 9.94A.660 regarding eligibility for the special drug offender sentencing alternative.
- Section 73 Adds possession of cannabis as a conviction eligible to receive home detention under RCW 9.94A.734.
- Section 74 Amends RCW 9.92.070 to apply the prohibition payments of fines and costs in installments for sentences given for the violation of cannabis laws in addition to the violation of alcohol laws.
- Section 75 Amends RCW 13.04.155, Notification to schools for juveniles, to add cannabis violations.
- Section 76 Amends RCW 13.40.0357 to reflect the repeal of RCW 69.50.4014 (possession of marijuana <40 grams).
- Section 77 Removes cannabis use, possession, and distribution as grounds to subject a person to a court-martial under RCW 38.38.762.

- Section 78 Adds cannabis law prosecutions to the provision in RCW 36.27.020 in which prosecutors must send the state liquor control board a written report of all prosecutions of state liquor laws.
- Section 79 Corrects references in RCW 46.09.470 and clarifies that it is a misdemeanor to operate a non-highway vehicle while under the influence of any intoxicating substance.
- Section 80 Amends RCW 46.61.5249 to clarify add cannabis as a substance, like liquor and illegal drugs, with regards to negligent driving, a first degree misdemeanor.
- Section 81-82 Removes cannabis related paraphernalia from the definition of “drug paraphernalia” under RCW 69.50.102 & 69.50.4121.
- Section 83 Removes language from the chapter 69.50.505, Seizure and Forfeiture of the Controlled Substances Act which is reflective of the repeal of RCW 69.50.4014.
- Section 84 Adds new section to 66.32 RCW stating that all purchased cannabis must have been in a container with the official state seal unless transferred to another container to maintain freshness.
- Section 85 Amends RCW 66.32.030 regarding warrants, to add cannabis.
- Section 86 Amends RCW 66.32.040 regarding forfeiture, to add cannabis.
- Section 87 Amends RCW 66.32.070 regarding the sale of forfeited articles, to add cannabis.
- Section 88 Amends RCW 66.32.090 regarding seizure, to add cannabis.
- Section 89 Amends RCW 69.50.505 regarding seizure and forfeiture under the Uniform controlled Substances Act to reflect the changes to law with regards to cannabis.
- Section 90-98 Amends and adds new sections to 35A.66 7 66.40 RCW regarding local preemption.
- Section 99 Amends RCW 28B.10.575 regarding higher education policies.
- Section 100 Amends RCW 43.19.19054 (statewide policy for purchasing and material control) clarifying that it does not apply to cannabis, cannabis products, and hemp products.
- Section 101 Amends RCW 81.04.530 regarding the provisions for motor carriers, to specify cannabis.
- Section 102 Amends RCW 69.04.480 regarding drug branding to remove marijuana and cannabis.
- Section 103 Repeals RCW 69.50.4014 (Possession of forty grams or less of marihuana- Penalty).
- Section 104 Amends RCW 66.98.010 to read as follows: This act may be cited as the “Washington State Liquor and Cannabis Act”
- Section 105 If any provision of the act or its application is held invalid, the remainder of the act or the application of the provision to other circumstances is not affected.
- Section 106 Sections 6 through 16, 24 through 30, 40, 52 through 55, 57, 59, 60, and 62 through 64 of this act constitute a new chapter in Title 66 RCW.
- Section 107 Sections 91, 93, and 95 of this act are added to a new chapter 66.40 RCW.
- Section 108 Section 2 through 5 and 7 through 104 of this act take effect July 1, 2013.

Section 109 Section 6 of this act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect July 1, 2011.

EXPENDITURES

Assumptions

The adult jail and prison bed impacts for this bill were calculated under the following assumptions:

- Sentences are based on Sentencing Guidelines Commission Fiscal Year 2010 adult felony sentencing data, and assume no changes in crime rates, filings, plea agreement practices or sentencing volumes, *etc.* (*i.e.*, there will be an identical number of sentences each year).
- Sentences are distributed evenly by month.
- Sentences are discounted by the ratio of sentences to jail or prison admissions.
- Length of stay in jail is calculated using a figure for average earned release, based on a survey of local jails by the Sentencing Guidelines Commission, the Office of Community Development and the Washington State Association of Counties.
- Bed impacts are calculated without a phase-in factor as these offenses are being eliminated. The offenses that occurred prior to July 1, 2011 would still be considered illegal; therefore, there will be a diminishing amount of offenses occurring after July 1, 2011.
- Historical marijuana offenses will continue to be counted in the offender score after July 1, 2011. No scoring change is expected.
- The prospective length of stay in prison factors in the amount of time served in jail prior to transferring to the Department of Corrections based on the average time served for specific offenses as reported by DOC.
- Any sentence that included at least one subsequent offense that is not affected by this bill was excluded from the analysis. The offender would still be serving time in confinement for that offense and it is unknown as to what the proposed sentence length would be without the affected offense(s).
- Offenses included in the analysis:
 - SGC tracks Manufacture, Deliver or Possession with Intent offenses that are related to marijuana.
 - DOC provided an estimate for the percentage of Possession of a Controlled Substance offenses that are related to marijuana. They estimate that 4% of jail sentences were for Possession of a Controlled Substance – Marijuana. DOC and SGC did a similar investigation into prison sentences and found very few prison sentences related to marijuana possession; therefore, no Possession of a Controlled Substance prison sentences were included in this analysis.
- DOC provided estimates on risk distribution by offense. Those estimates were used to determine how many offenders would be supervised on community custody by DOC.

Impact on the Sentencing Guidelines Commission

This bill would require modification of the Commission's database and data entry programs. The agency's budget does not have funding for updating the database or data entry programs. We estimate it would take approximately 45 hours to update the database or data entry programs to reflect the change in this bill. Using a fee estimate of \$110/hr, the cost would be \$4,950.

Impact on prison and jail beds

In FY10 there were approximately 615 drug sentences that were affected by this bill. About 550 were for Manufacture/Deliver/Possess with Intent to Deliver Marijuana, 135 were First Time Offender Waiver sentences and 1 was a DOSA sentence.

For the jail sentences:

- current average sentence length was 2.3 mos
- current average length of stay was 1.6 mos
- the number of sentences is estimated to be about 565
- estimated number of current offenders was 355

For the non-DOSA prison sentences:

- current average sentence length was 16.8 mos
- current average length of stay was 9.0 mos
- the number of sentences was 50
- estimated number of current offenders was 37

For the DOSA prison sentences:

- current average sentence length was 29.8 mos
- current average length of stay was 17.3 mos
- the number of sentences was 1
- estimated number of offenders was 1

Analysis shows the bed impacts reaching maximum impact for both jail and prison by the second fiscal year (FY13).

Average Monthly Population Jail and Prison Impacts

HB 1550 Cannabis

Sentencing Guidelines Commission

February 1, 2011

	Fiscal Year									
	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Jail AMP	-44	-49	-49	-49	-49	-49	-49	-49	-49	-49
Prison AMP (DOSA)	0	-1	-1	-1	-1	-1	-1	-1	-1	-1
Prison AMP (Non-DOSA)	-17	-27	-27	-27	-27	-27	-27	-27	-27	-27
Prison AMP (Total)	-17	-28	-29	-29	-29	-29	-29	-29	-29	-29

	Fiscal Year									
	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
Jail AMP	-49	-49	-49	-49	-49	-49	-49	-49	-49	-49
Prison AMP (DOSA)	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Prison AMP (Non-DOSA)	-27	-27	-27	-27	-27	-27	-27	-27	-27	-27
Prison AMP (Total)	-29	-29	-29	-29	-29	-29	-29	-29	-29	-29

Impact on community custody workload

Assumptions:

- Although the length of total confinement is not affected by the proposed modifications to community custody, jail lengths of stay were included in the analysis to insure proper timing of the community custody impacts.

In FY10 there were approximately 510 drug sentences that were affected by this bill. Of those, about 134 were First Time Offender Waiver sentences, 1 was a prison DOSA sentence and 5 were Residential DOSA sentences.

For the jail sentences:

- current average community custody length was 12.8 mos
- estimated number of current offenders was 229

For the non-DOSA prison sentences:

- current average community custody length was 12.0 mos
- estimated number of current offenders was 29

For the DOSA prison sentences:

- current average community custody length was 29.8 mos
- estimated number of offenders was 1

For the Residential DOSA sentences:

- current average community custody length was 24.0 mos
- estimated number of offenders was 3

Analysis shows caseload impacts reach maximum in four fiscal years (FY15).

Average Monthly Community Custody Caseload Impacts

HB 1550 Cannabis

Sentencing Guidelines Commission

February 1, 2011

	Fiscal Year									
	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Comm Cust from Jail AMP	-93	-230	-239	-239	-239	-239	-239	-239	-239	-239
Comm Cust from Prison AMP (DOSA)	-2	-5	-7	-7	-7	-7	-7	-7	-7	-7
Comm Cust from Prison AMP (Non-DOSA)	-2	-21	-28	-29	-29	-29	-29	-29	-29	-29
Comm Custody Caseload AMP (Total)	-97	-256	-274	-275	-275	-275	-275	-275	-275	-275

	Fiscal Year									
	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
Comm Cust from Jail AMP	-239	-239	-239	-239	-239	-239	-239	-239	-239	-239
Comm Cust from Prison AMP (DOSA)	-7	-7	-7	-7	-7	-7	-7	-7	-7	-7
Comm Cust from Prison AMP (Non-DOSA)	-29	-29	-29	-29	-29	-29	-29	-29	-29	-29
Comm Custody Caseload AMP (Total)	-275	-275	-275	-275	-275	-275	-275	-275	-275	-275

Additional Data

This bill repeals RCW 69.50.4014 Possession of Marijuana <40 Grams which is a gross misdemeanor and removes it from the juvenile sentencing grid. Proposed replacements to a gross misdemeanor for underage possession, purchase, etc. would entail class 1 civil infractions or gross misdemeanors.

In FY10, there were 560 offenses for Possession of Marijuana < 40 Grams. These offenses received an average sentence length of 5 months. The 560 offenses translate into 553 juvenile offenders.

Other potential impacts

In addition to the bed impacts that SGC was able to calculate, this bill would affect other offenses and some sentencing alternatives. The SGC may be unable to provide bed impacts for all of these affects but thought it worth noting them.

- The eligibility pool of First Time Offender Waivers and Drug Offender Sentencing Alternative sentences would be reduced since penalties related to marijuana offenses would be misdemeanors or gross misdemeanors, with the exception of the three new cannabis felonies (Intrastate Transporting of Cannabis, Interstate Transporting of Cannabis and Involve Person Under 21 in a Cannabis Transaction). Both of these sentencing alternatives require a felony conviction for eligibility.
- Controlled Substance Homicide (RCW 69.50.415) refers to Schedule I drugs. In FY10 there were 2 such offenses and none in FY09. The 2 offenses in FY10 were not related to marijuana.
- Create, Deliver or Possess a Counterfeit Substance (RCW 69.50.4011) refers to Schedule I drugs. There were 3 such offenses in FY10 and 2 in FY09. None of these offenses were related to marijuana.
- The impact of any felony offenses created under this bill would be unknown. The impact of any modified felony offenses to include marijuana (ex. Driving Under the Influence) would be unknown.

These tables show how many M/D/P* offenses are found on current and historical sentences in FY08. If an offense is found on an historical sentence that does not mean it also shows on the current sentence and vice versa. This provides a scope of the number of sentences that might experience an offender score change under the bill.

Number of M/D/P* Offenses Per Current Sentence	Type of Sentence		
	Jail	Prison	Non- Confinement**
At least 1 offense	447	78	15
At least 2 offenses	55	14	2
At least 3 offenses	23	7	1
At least 4 offenses	1	2	0
At least 5 offenses	2	0	0
At least 6 offenses	0	1	0

*Manufacture/Deliver/Possess with Intent to Deliver Marijuana

**Non-confinement sentences receive only a community custody term.
These include Residential DOSA sentences.

Number of M/D/P* Offenses Per Historical Sentence	Type of Sentence		
	Jail	Prison	Non- Confinement**
At least 1 offense	191	230	7
At least 2 offenses	33	61	4
At least 3 offenses	12	16	0
At least 4 offenses	2	11	0
At least 5 offenses	1	2	0
At least 6 offenses	0	2	0

*Manufacture/Deliver/Possess with Intent to Deliver Marijuana

**Non-confinement sentences receive only a community custody term.
These include Residential DOSA sentences.

Number of Possession of Controlled Substance Offenses Per Current Sentence	Type of Sentence		
	Jail	Prison	Non- Confinement**
At least 1 offense	1897	*	164
At least 2 offenses	35	*	6
At least 3 offenses	7	*	1
At least 4 offenses	2	*	0
At least 5 offenses	1	*	0

*It was determined that rarely do Poss of CS - Marijuana offenses get prison time so a Poss of CS prison sentence would probably not be for marijuana

**Non-confinement sentences receive only a community custody term.
These include Residential DOSA sentences.

- DOC estimates that 4 percent of Possession of Controlled Substance jail sentences are related to marijuana.
- Possession of Controlled Substance offenses that result in a prison sentence rarely are related to marijuana and as it is not possible to ascertain the historical sentence disposition (jail, prison or non-confinement) in order to exclude prison sentences; therefore, no historical data for this offense is presented.

Individual State Agency Fiscal Note

Bill Number: 1550 HB	Title: Cannabis	Agency: 495-Department of Agriculture
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Part I: Estimates

☐

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2012	FY 2013	2011-13	2013-15	2015-17
Cannabis Revolving Fund-State New-1	2,200	4,400	6,600	8,800	8,800
Total \$	2,200	4,400	6,600	8,800	8,800

Estimated Expenditures from:

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years	1.3	1.3	1.3	1.3	1.3
Account					
General Fund-State 001-1	312,100	0	312,100	0	0
Cannabis Revolving Fund-State New-1	0	158,900	158,900	317,800	317,800
Total \$	312,100	158,900	471,000	317,800	317,800

Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

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: Yvonne Walker	Phone: 360-786-7841	Date: 01/25/2011
Agency Preparation: Mary Toohey	Phone: 360-902-1907	Date: 02/01/2011
Agency Approval: Mark Johnson	Phone: 360-902-1986	Date: 02/01/2011
OFM Review: Chris Stanley	Phone: (360) 902-9810	Date: 02/01/2011

Request # 11-16-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

House Bill 1550 legalizes and regulates the production and distribution of cannabis for all purposes through the Liquor Control Board (LCB). The bill makes LCB sole legal distributor of cannabis.

The WSDA role is:

- 1) licensing cannabis farmers (people who grow cannabis for sale in state liquor stores) and cannabis licensed producers (people who produce, process, package, and offer for sale at wholesale cannabis, hemp and hemp products. The definition of cannabis licensed producers also authorizes WSDA to adopt rules to implement this. (See Section 2(9) and (11). However, Sections 6 and 38 give the authority to adopt rules and fees regarding licensing of cannabis farmers to LCB, and Section 42 states that all fees will go to the cannabis revolving fund.
- 2) routine enforcement of the Food Processing Act, RCW 69.07 (See Section 29),
- 3) working in conjunction with (i.e. advising) LCB on their rules "prescribing methods of growing, conditions of sanitation, standards of ingredients, quality and identity of cannabis produced, sold, packaged or handled by licensed cannabis farmers and the board". See Section 4(2)(dd), which amends RCW 66.08, General Provisions - Liquor Control Board, and Section 6, which mandates LCB adopt these rules by December 31, 2011.
- 4) working in conjunction with (i.e. advising) LCB in its adoption of rules by December 31, 2011 in exempting persons cultivating cannabis for personal home use. See Section 6.
- 5) working in conjunction with (i.e. advising) LCB:
 - prescribing methods of growing, conditions of sanitation, standards of ingredients, quality, and identity of cannabis sold, packaged, or handled by licensed cannabis farmers, the board, and liquor stores,
 - licensing farmers to grow cannabis and sell, distribute and transport it to state or contracted state liquor stores,
 - establishing rules, regulations, permits, licenses, and fees for cannabis farmers,
 - determining the quantity of cannabis and hemp products each cannabis farmer may cultivate, grow, and store annually, and establishing rules and regulations for the cultivation of cannabis for personal home use and industrial hemp. See Section 38, which amends RCW 43.23, Department of Agriculture, the basic authorization for the agency.

Sections 40 and 41 authorize a 15% state sales tax on the sale of cannabis to the public to be collected by LCB and deposited into a cannabis revolving fund. Cities and counties must devote at least 2% of their share of this revenue to approved chemical dependency treatment programs. Section 42 establishes the cannabis revolving fund for all license fees, permit fees, forfeitures, taxes, and other income and apportions it to various agencies. Two percent of the funds would go to WSDA for administration.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

We assume that the bill would result in 40 additional food processing operations to be licensed. Food processing plants are licensed by WSDA on a sliding scale based on the gross annual sales. Since an initial inspection must be conducted before a license is issued and the location can start production, for the initial year the fee is typically the lowest category,

\$55. We assume the subsequent yearly fee would be determined on gross annual sales of \$50K to \$100K, for \$110/year. All license fees will be deposited into the Cannabis Revolving Fund as per New Section 42.

License fee income FY12: \$2,200

Subsequent years: \$4,400 per year

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

These are new activities, and the expenditures are estimates.

Expenditures mandated in Section 29 are based on routine inspection activity for 40 additional food processing operations, conducted by a Food Safety Officer 2. Expenditures mandated in Sections 4, 6, and 38 are associated with advising the Liquor Control Board in their rulemaking and would involve a range of technical and managerial personnel from the Food Safety Program, Chemical and Hop Laboratory, Microbiology Laboratory and Plant Services Program. The majority of this activity would occur in FY12. For purposes of estimation for this FN, the salary figures of a Food Safety Officer 2 were utilized. Increased expenses also include AGO costs associated with WSDA advice regarding LCB rulemaking.

Expenditures mandated in Section 2 are associated with two new licenses (cannabis farmers, and cannabis producers) that are conditioned on prospective licensees' ability to wholesale all of their product to LCB. We assume WSDA will collect license fees and deposit the revenue into the Cannabis Revolving Fund. Indeterminate costs include database development and hardware needs. For the purpose of this analysis we are assuming \$150,000 for both in the initial year. In addition, we estimate a database maintenance contract for subsequent years at \$10,000 per year.

Salaries and benefits for licensing activities in Section 2 consist of 0.25 FTE Administrative Assistant 4 licensing support staff salary and benefits ongoing, 0.5 FTE Information Technology Specialist 5 to manage a database programming contract in the first year, and in subsequent years ongoing, salaries and benefits for 0.25 FTE Information Technology Specialist 5 for database maintenance.

Standard agency costs for FTEs include goods and services, work space, travel, vehicle maintenance, phones, computers, insurance, data processing costs, and agency indirect (15.5% of salaries and benefits)

Since WSDA rules and licensing infrastructure would need to be in place before cannabis activities begin, we assume a general fund-state appropriation will be provided to support the initial license system development and the rulemaking activities.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years	1.3	1.3	1.3	1.3	1.3
A-Salaries and Wages	79,400	71,600	151,000	143,200	143,200
B-Employee Benefits	24,100	23,100	47,200	46,200	46,200
C-Personal Service Contracts	125,000		125,000		
E-Goods and Services	21,400	27,600	49,000	55,200	55,200
G-Travel	14,000	14,000	28,000	28,000	28,000
J-Capital Outlays	26,000	1,400	27,400	2,800	2,800
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service	6,200	6,200	12,400	12,400	12,400
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-Agency Overhead	16,000	15,000	31,000	30,000	30,000
Total:	\$312,100	\$158,900	\$471,000	\$317,800	\$317,800

III. B - 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 2012	FY 2013	2011-13	2013-15	2015-17
Administrative Assistant 4	48,000		0.3	0.1	0.3	0.3
Food Safety Officer 2	53,200	0.8	0.8	0.8	0.8	0.8
Information Technology Specilist 5	78,900	0.5	0.3	0.4	0.3	0.3
Total FTE's	180,100	1.3	1.3	1.3	1.3	1.3

Part IV: Capital Budget Impact

NONE

None

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

WSDA would need to conduct rule making and the cost of rule making is included in the first year expenditure estimates.

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 1550 HB	Title: Cannabis
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

☒ Cities: May reduce prosecution, defense, and jail costs related to cannabis possession and use; may increase tax revenue

☒ Counties: As above

☒ Special Districts: May increase sales tax revenue

☐ Specific jurisdictions only:

☐ Variance occurs due to:

Part II: Estimates

☐ No fiscal impacts.

☐ Expenditures represent one-time costs:

☒ Legislation provides local option: Governments may hold elections to determine whether cannabis will be sold within jurisdiction

☒ Key variables cannot be estimated with certainty at this time: Which jurisdictions will sell cannabis; which jurisdictions will collect B&O taxes from cannabis; how many new misdemeanors and felonies will occur

Estimated revenue impacts to:

Indeterminate Impact

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

Fiscal Note Analyst: Aaron Nickell	Phone: 360/725-2733	Date: 02/07/2011
Leg. Committee Contact: Yvonne Walker	Phone: 360-786-7841	Date: 01/25/2011
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 02/07/2011
OFM Review: Mike Steenhout	Phone: 360-902-0554	Date: 02/07/2011

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

This proposed legislation would legalize cannabis and its derivatives, removing certain civil and criminal penalties for adults 21 years of age or older who cultivate, possess, transport, sell, or use cannabis. The licensing, production, manufacture, growth, cultivation, transport, and sale of cannabis would be regulated by the Liquor Control Board and the Department of Agriculture.

This bill also impacts laws proscribing dangerous activities while under the influence of intoxicating substances, and delineates penalties for conduct that exposes minors to cannabis. Certain cannabis violations would result in civil infractions or misdemeanors, while the interstate transport of cannabis would result in a class C felony.

Cannabis would be sold at state liquor stores or state licensed liquor stores and regulated using existing methods for the regulation of alcohol, using specific containers with tax stamps and seals. Cannabis would be taxed 15 percent per gram.

A cannabis revolving fund would be established with the state treasurer.

The following sections may impact local governments:

Section 2 amends 66.04.010 RCW to define terms related to the production and sale of cannabis.

Sections 3, 4, 6-11, 13-17, and 28 establish the Liquor Control Board (LCB) as the regulating authority for the sale and distribution of cannabis.

Section 12 prohibits all municipalities and counties from imposing an excise tax on cannabis.

Section 18 amends 66.16.040 RCW to allow liquor stores and contract liquor stores to sell cannabis to any person of legal age.

Sections 24-27 establish licensing procedures for the production, manufacture, growth, cultivation, transport, or sale of cannabis. This section would allow towns, cities, and counties to submit written objections against an license applicant.

Sections 40 and 41 establish a sales tax on cannabis of 15 percent per gram. To be eligible to receive its share of taxes and profits, a city or county must devote no less than 2 percent of cannabis taxes and profits to the support of a chemical dependency treatment program.

Section 42 establishes the cannabis revolving fund with the state treasurer.

Sections 43-48 remove the manufacturing, selling, and delivering of marijuana (cannabis) from Level I drug offenses and remove marijuana from the list of Schedule I controlled substances.

Sections 49-51 incorporate cannabis into chapter 66 RCW, expanding law enforcement and LCB authority to enforce the laws that regulate cannabis. The LCB would have the power to enforce the penal provisions related to the growing, cultivating, transportation, possession, distribution, and sale of cannabis. Liquor enforcement officers would also have the authority to investigate and enforce penal provisions, arrest without a warrant, and execute warrants relating to the growing, cultivation, transportation, possession, distribution, and sale of cannabis. These sections also define local law enforcement related to investigating and prosecuting the illegal growing, cultivation, transportation, possession, distribution, and sale of cannabis.

Sections 54-64 regulate the selling, purchasing, and use of cannabis. Selling cannabis without an official government seal or operating a cannabis business without a license would result in a gross misdemeanor. Purchasing cannabis from an unauthorized dealer and smoking or consuming cannabis in a place of public conveyance would result in a misdemeanor. Selling cannabis to a minor and attempting to purchase cannabis as a minor would result in a class I civil infraction.

Sections 66, 67, and 69 make the interstate transport of illegal cannabis a class C felony, and remove the felony associated with the manufacture, delivery, or possession with intent to deliver cannabis.

Sections 72 and 73 amend 9.94A to make those who are convicted of a cannabis violation eligible for special drug offender sentencing alternatives and home detention.

Section 76 amends 13.40.0357 RCW to remove marijuana violations from juvenile sentencing standards.

Section 78 requires county prosecuting attorneys to send an annual written report to the LCB accounting for all prosecutions in the county brought under the state cannabis laws, including detailed case data.

Sections 79 and 80 would make it a misdemeanor to use cannabis or exhibit the effects of cannabis intoxication while operating a motor vehicle.

Sections 81-89 relate to the search and seizure of drug paraphernalia and cannabis. These sections remove marijuana paraphernalia from 69.50.102 RCW, removes the class I civil infraction associated with the possession or sale of marijuana paraphernalia, and prevents the forfeiture of real property when a person possesses less than fifteen cannabis plants or one pound of cannabis, in certain circumstances when cannabis possession would result in a civil infraction.

Sections 90-98 adds cannabis to 35A.66.020 RCW, allowing local governments to hold elections to determine whether to sell cannabis within their jurisdiction. Section 90 also provides for the sharing of cannabis profits with code cities.

Section 103 repeals the penalty prescribed in 69.50.4014 RCW for possessing under 40 grams of marijuana.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

The proposed legislation may result in significant but indeterminate expenditure reductions for charging and trying fewer misdemeanor and felony crimes. There is also expected to be a reduction in jail sentences due to fewer misdemeanor convictions. Jail sentences are a local expense. These reductions may total over \$13.5 million annually for fewer arrests, trials, and local jail sentences. Expenditure reductions include approximately \$5,489,100 in felony cases and \$8,284,006 in misdemeanor cases.

Governments may experience election costs for jurisdictions voting on whether to permit cannabis sales within their boundaries. This is a local option.

It is not clear how many arrests, trials, and jail sentences will occur as a result of criminal behavior related to cannabis, such as misdemeanors for driving under the influence or producing cannabis without a license, class C felonies for the interstate transport of cannabis, and others. As cannabis use becomes legal, there may be correlate increases in these violations.

Potential court impacts and court fine revenue impacts may affect cities and counties; these are detailed in the Administrative Office of the Courts (AOC) fiscal note. AOC addresses court-related impacts; local government fiscal notes cover public defense, prosecution, and jail-related criminal costs.

REDUCTION IN ARRESTS:

Law enforcement agencies expect a reduction in the number of arrests made as a result of the bill. Statistics provided by the Washington State Patrol show 8,273 adult arrests in 2008 for possession of less than 40 grams of marijuana and 8,625 for paraphernalia. It is not known how many of the paraphernalia arrests were related to marijuana. There may be other factors that lead to an individual arrest for any police contact involving marijuana, so many arrests will still occur, but there will likely be a reduction in the total number of arrests made. The cost of an arrest for similar misdemeanor crimes averages \$375. Costs include officer time, paperwork, and court appearance time. The arrest also includes transportation and additional officer time for booking (Local Government Fiscal Note survey of law enforcement costs 2008).

REDUCTION IN FELONY CASES:

According to the Sentencing Guidelines Commission (SGC), there were 570 felony convictions related to marijuana in 2008. These convictions were for the manufacturing, delivery, or intent to deliver marijuana. It is unknown how many of these cases were related to the interstate transport of marijuana, a crime that remains a class C felony in certain circumstances under the proposed legislation. The average cost for a sentenced felony drug trial is \$9,950, including costs for public defenders, prosecuting attorneys, and jail time. Approximately 90 percent of felony drug cases are eligible for public defense. If all 570 felony convictions in 2008 had not been tried and sentences not served, the reduction in local government expenditures would be \$5,489,100 per year $[(570 \text{ sentences} \times \$9,950 = \$5,671,500) - (57 \text{ ineligible for public defense} \times \$3200 = \$182,400); \$5,671,500 - \$182,400 = \$5,489,100]$.

BACKGROUND ON PROSECUTION, DEFENSE, AND JAIL COSTS FOR FELONY CRIMES:

Prosecution: The average cost for prosecuting a felony drug crime is approximately \$3,102 per case (2009 LGFN prosecutor survey).

Public defender costs: Approximately 90% of felony cases qualify for public defender representation. The average cost for public felony drug defense representation is approximately \$3,200 per case (2008 LGFN defender survey).

Jail costs: Some sentences for felony crimes are served in jail (a local cost). According to the SGC, the average sentence for this crime served in jail is 48 days. There were 570 jail sentences served in 2008 for felonies related to marijuana. The daily jail bed rate is \$76, according to the LGFN 2009 jail cost survey (weighted by population). The cost of a sentence would be \$3,648 (48 days x \$76 a day = \$3,648).

The combined reduction in costs for each felony not charged, prosecuted, defended, sentenced, and jail time not served is \$9,950 (\$3,102 prosecution + \$3,200 defense + \$3,648 jail costs = \$9,950).

REDUCTION IN MISDEMEANOR CASES:

According to AOC, there were 3,286 adult convictions in 2010 for possession of less than 40 grams of marijuana. The number of drug paraphernalia cases specifically related to marijuana is unknown. Under this legislation, there will be no misdemeanor charges for possession of less than 40 grams of marijuana.

It is possible to estimate the expenditure reductions associated with fewer adult misdemeanor cases for possession of marijuana; it is not possible to estimate the expenditure reductions associated with a reduction in paraphernalia cases. If all misdemeanor cases in 2010 for possession of less than 40 grams of marijuana had not been tried and sentences not served, the reduction in local government expenditures would be \$8,284,006 (3,286 cases x \$2,521 per case = \$8,284,006).

BACKGROUND ON PROSECUTION, DEFENSE, AND JAIL COSTS FOR MISDEMEANOR CRIMES:

Prosecution: The average cost for prosecuting a misdemeanor crime is approximately \$983 per case (2009 LGFN prosecutor survey).

Public defender costs: Approximately 93 percent of misdemeanor cases qualify for public defender representation. The range of public defender representation is approximately \$935 to \$1,473 per case, for an average cost of \$1,204 (LGFN 2010 indigent defender data).

Jail costs: A person convicted of a misdemeanor would serve their sentence in jail (a local cost). It is not clear what the average sentence for this crime would be. According to the AOC 2009 misdemeanor convictions table the average jail sentence for possession of marijuana of less than 40 grams was 82.7 days, with all but 4.4 days suspended. The daily jail bed rate is \$76, according to the LGFN 2009 jail cost survey (weighted by population). The cost of a sentence would be \$365 (4.4 days x \$76 a day = \$334).

The combined reduction in costs for each misdemeanor not charged, prosecuted, defended, sentenced, and jail time not served is \$2,552 (\$983 prosecution + \$1,204 defense + \$334 jail = \$2,521).

A note about public defense costs -- Because public defense varies greatly in Washington State, LGFN uses a range of costs for defense depending on the county providing the defense. Larger counties have offices of public defense that are similar in size and capability to the county prosecutor's office. These offices have resources and salary parity comparable to the prosecuting attorney and have access to investigators and other resources at county expense. Many counties contract with local law firms and nonprofit defense agencies on a variety of basis. Some counties pay per case, some per hour, some pay trial costs on a per diem basis while others pay on a per-hour basis. More is paid for felony cases than misdemeanor cases. Finally, some counties hire local attorneys on a case by case basis, either on a per-hour or per-case basis. Most of the counties will reimburse investigative costs after a petition to the court. The Washington Defender Association (WDA) estimates that the primary fiscal impact on public defenders will be due to an increase in trial caseloads resulting from the increased sentencing ranges (2008 LGFN defender cost survey).

POTENTIAL ELECTION COSTS:

In Sections 90-98 of the bill an existing procedure related to the sale of alcohol is altered to include cannabis. A person or persons can collect signatures equivalent to 30% of the voters participating in the most recent election and present them to a city or county in order to force a

vote on the issue of sale of cannabis within the jurisdiction's boundaries. The county auditor does not need to verify the signatures unless an interested party is willing to pay \$1.00 per 100 signatures. At the point that verification fee is paid the auditor is compelled to check all of the signatures and provide a report as to the validity of the signatures. The process of signature checking is significantly more expensive than \$.01 for each signature. The cost of any election held would be borne by the jurisdiction in question. Estimating the cost of the election is difficult as it will vary with the size of the jurisdiction.

Background on local election costs:

County auditor election departments conduct elections on behalf of cities, counties, state government, federal government, and special taxing districts. Each county bills their local jurisdictions for a prorated share of the cost of each election. Election costs include both fixed costs and variable costs that are related to a specific election. The cost of an election to a jurisdiction varies significantly depending on how many other jurisdictions share the specific election date. If there are many sharing a date, each jurisdiction's share of the costs are lower. November general elections have the most participating jurisdictions, so the cost to individual jurisdictions is lower. Conducting a one-issue election on a special election date usually leads to much higher costs for the jurisdiction as the costs are not shared with any others.

As an example:

If a city of around 25,000 population located in one of the Puget Sound counties ran their election in November it would likely cost between \$2,000 and \$4,000. The same election held on a special election date by itself might cost as much as \$70,000. Ranging from \$.20 per voter to almost \$3 per voter. In a large county with 1.1 million voters if the election were held in November the cost would likely cost \$1.1 million, in the August primary it would likely range in cost from \$1.3 million to \$1.6 million (depending on how many other jurisdictions participate), while running it as a standalone election on a special election date in May or June could cost \$3 million. These costs range from \$1 to \$3 per voter.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

The proposed legislation would result in significant, though indeterminate, impacts on local governments. This legislation may result in a revenue increase exceeding \$65 million to local governments from FY 2014 to FY 2017.

SALES TAX:

Based on estimates provided in the Department of Revenue (DOR) fiscal note, the increased revenue distribution among cities, counties, and special districts is as follows:

	County	City	Special District
FY 2012			
FY 2013			
FY 2014	\$5,426,735	\$5,554,336	\$3,685,779
FY 2015	\$6,097,430	\$6,240,802	\$4,141,308
FY 2016	\$6,280,580	\$6,428,258	\$4,265,702
FY 2017	\$6,468,858	\$6,620,964	\$4,393,578

BUSINESS AND OCCUPATION TAXES:

The bill would result in an indeterminate revenue increase on local B&O taxes. Some cities have the option of collection B&O taxes; it is not known where new businesses will locate and which cities will receive new cannabis related business taxes.

LIQUOR REVENUES:

The LCB does not anticipate a reduction in the distribution of liquor funds to local governments.

METHODOLOGY:

The distributions in this note for cities, counties, and special districts are based on DOR data for local sales and use tax distributions from 2008. Mitigation payments and distributions to hospital benefit zones are not factored into this distribution. This results in a distribution of 37.00 percent to counties, 37.87 percent to cities and 25.13 percent to special districts. A 1 percent DOR administrative fee has also been deducted.

SOURCES:

Administrative Office of the Courts (AOC) fiscal note
Administrative Office of the Courts 2010 misdemeanor convictions in Washington State
Sentencing Guidelines Commission (SGC) fiscal note
Department of Revenue (DOR) fiscal note
Department of Revenue Local Tax Distributions
King County Election Department
Kitsap County Election Department
LGFN 2009 county law enforcement
LGFN 2009 city law enforcement costs survey
LGFN 2009 jail cost survey (weighted by population)
LGFN 2009 prosecutor costs survey
LGFN 2010 public defender data cost survey
Liquor Control Board
Washington Association of Prosecuting Attorneys
Washington Defenders Association
Washington State Patrol (WSP) fiscal note