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## Government Accountability & Oversight Committee

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### HB 2144

**Brief Description:** Concerning the establishment of a dedicated local jurisdiction marijuana fund and the distribution of a specified percentage of marijuana excise tax revenues to local jurisdictions.

**Sponsors:** Representatives Condotta, Manweller, Buys, Blake, Springer, Shea, Holy and Vick.

#### Brief Summary of Bill

- Creates a dedicated local jurisdiction marijuana fund, which receives 30 percent of the excise taxes collected by marijuana retailers on sales to consumers.
- Excise taxes deposited in the dedicated local jurisdiction marijuana fund must be distributed to the local jurisdiction in which the retail sale occurred.

**Hearing Date:** 1/30/14

**Staff:** David Rubenstein (786-7153).

#### Background:

##### Initiative Measure No. 502 Generally.

Initiative Measure No. 502 ("I-502" or "initiative") was a ballot measure approved by Washington voters in November of 2012 that legalized the production, processing, possession and personal use of marijuana and created a framework for a regulatory scheme that includes the following:

- licensing and regulating marijuana production, distribution, and retailing;
- designating the Liquor Control Board (LCB) as the regulatory entity responsible for the implementation of the initiative, including continuing oversight over the commercial practices and conduct of licensed marijuana producers, processors, and retailers;
- providing the LCB with very broad rule-making authority with respect to the development of the requisite regulatory scheme;

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- implementing an excise tax system with respect to marijuana production, distribution, and retailing; and
- creating a dedicated marijuana fund for the collection and distribution of marijuana-related tax revenues.

#### Excise Taxes Under I-502.

Under the initiative, an excise tax of 25 percent of the sale price must be paid by each of the three categories of licensees at each step of the production/processing/marketing process:

1. Producers pay a tax of 25 percent of the wholesale price of the marijuana sold to processors or to other producers.
2. Processors pay a tax of 25 percent of the wholesale price of the useable marijuana or marijuana-infused products sold to retailers or to other processors.
3. Retailers pay a tax of 25 percent of the retail price of the useable marijuana or marijuana-infused products sold to the consumer.

Under I-502, the LCB is required to regularly review the excise tax levels and make recommendations to the legislature regarding any adjustments that might further the goals of discouraging use and undercutting the black market.

#### Dedicated Marijuana Fund.

All revenue collected from the 25 percent marijuana excise taxes described above will be deposited in the dedicated marijuana fund (General Marijuana Fund). Under I-502, money deposited into the General Marijuana Fund is earmarked in fixed amounts as follows:

- \$175,000 to the Department of Social and Health Services (DSHS) for use in healthy youth surveys and a cost-benefit analysis of the implementation of I-502;
- \$5,000 to the University of Washington's Alcohol and Drug Abuse Institute for web-based public education materials regarding marijuana use; and
- \$1,250,000 to the LCB for costs in administering I-502, as necessary.

Any money remaining in the General Marijuana Fund after those disbursements are made is earmarked as follows:

- 15 percent to DSHS for programs aimed at prevention of various disorders related to substance use;
- 10 percent to the Department of Health for a marijuana education and public health program that incorporates referrals to drug treatment, grants to local community agencies, and media-based education campaigns targeted at youth and adults;
- 1 percent to the University of Washington and Washington State University for studies on the short- and long-term effects of marijuana use;
- 50 percent to the State Basic Health Plan Trust account;
- 5 percent to the Health Care Authority to expand access to health and dental care services, migrant health services, and maternity care;
- 0.3 percent to the Office of the Superintendent of Public Instruction for education purposes; and
- the remainder (18.7 percent) to the state's General Fund.

Disbursement for these purposes must occur quarterly.

#### **Summary of Bill:**

A dedicated local jurisdiction marijuana fund (Local Jurisdiction Fund) is created. The excise tax collected on sales from producer-to-producer, producer-to-processor, and processor-to-retailer continue to be deposited in the General Marijuana Fund. However, 30 percent of the excise tax collected on retailer-to-consumer sales is deposited in the Local Jurisdiction Fund.

Taxes deposited in the Local Jurisdiction Fund must be disbursed to the local jurisdiction where the retail sale originated. Further, each local jurisdiction with retail sales must receive revenue distributions proportional to sales within its jurisdiction. Disbursement to local jurisdictions must occur quarterly.

**Appropriation:** None.

**Fiscal Note:** Requested.

**Effective Date:** The bill takes effect July 1, 2014.