

SENATE BILL REPORT

ESSB 6062

As Passed Senate, April 3, 2015

Title: An act relating to marijuana regulations.

Brief Description: Concerning marijuana regulations.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senator Hill).

Brief History:

Committee Activity: Ways & Means: 3/31/15, 4/01/15 [DPS, DNP, w/oRec].

Passed Senate: 4/03/15, 26-22.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6062 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Braun, Vice Chair; Dammeier, Vice Chair; Honeyford, Vice Chair, Capital Budget Chair; Bailey, Becker, Brown, Hewitt, O'Ban, Padden, Parlette, Schoesler and Warnick.

Minority Report: Do not pass.

Signed by Senators Keiser, Assistant Ranking Member on the Capital Budget; Conway, Fraser, Hasegawa, Kohl-Welles and Rolfes.

Minority Report: That it be referred without recommendation.

Signed by Senators Hargrove, Ranking Member; Ranker, Ranking Minority Member, Operating; Billig and Hatfield.

Staff: Dean Carlson (786-7305)

Background: Initiative Measure 502 (I-502) was a ballot measure that legalized the production, processing, retail sale, possession, and personal use of marijuana.

Under I-502 an excise tax of 25 percent of the sale price is paid by each of the three licensees at each step of the production, processing, and retail sale.

All revenue collected from the 25 percent marijuana excise is deposited in the dedicated marijuana fund. Part of the fund is earmarked in fixed amounts to the Department of Social

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

and Health Services (DSHS), the University of Washington's (UW's) Alcohol and Drug Abuse Institute, and the Liquor Control Board for costs in administering I-502.

Any money remaining in the dedicated 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 UW and Washington State University for studies on the short and long-term effects of marijuana use;
- 50 percent to the State Basic Health Plan (BHP) 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 Superintendent of Public Instruction for education purposes; and
- the remaining 18.7 percent to the state general fund.

The BHP provided subsidized health care coverage to low-income Washington residents. The BHP was eliminated on December 13, 2013, with expansion of the Medicaid program.

Summary of Engrossed Substitute Bill: The marijuana excise tax that applies to producers and processors is eliminated. The marijuana excise tax is only imposed on sales at retail at the rate of 37 percent. The tax is due on the buyer, to be collected by the seller. Provisions are added that parallel the same provisions for the retail sales tax regarding establishing corporate officer liability for unpaid collected taxes and establishing that the tax is collected is held trust for the state.

The tax must be separately itemized from the selling price and the retail sales tax on the receipt provided to the buyer. The tax must also be reflected in the price list or quoted shelf price in the store and in any advertising that includes prices for all marijuana products.

The dedicated marijuana fund is eliminated.

The tax is distributed as follows:

- \$11,700,000 annually to the general fund; and
- the remaining to the education legacy trust account.

Of the amount distributed to the general fund, \$6 million must be distributed to local governments as follows:

- 50 percent of the money dedicated to the counties, cities, and towns is allocated based on the proportional share of the total excise tax revenues generated in the jurisdiction from marijuana licensees physically located in each jurisdiction; and
- the remaining 50 percent is dedicated to criminal justice purposes to the counties, cities, and towns as follows: 70 percent is distributed on a per-capita basis to counties, and 30 percent per capita to cities.

Marijuana-related license fees are deposited into the general fund instead of the dedicated marijuana fund.

Appropriation: None.

Fiscal Note: Requested on March 30, 2015

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2015.

Staff Summary of Public Testimony: CON: We are opposed to sweeping the funds that would be used for prevention. The evaluation piece should not have been removed from funding. Counties would like a stable revenue stream. We would like to have 10 percent go to local governments. Out of \$320 million, \$12 million is not a lot. We opposed the initiative. Part of the reason we opposed the initiative is we knew you would sweep the funds. The excise tax is too high for medical patients. We are concerned about you giving money to local governments for criminal justice to watch over the industry.

OTHER: We appreciate the attempt to streamline the taxes. This will price out medical patients, especially poorer ones. Medicaid doesn't cover cannabis. We appreciate you have shown the need to share revenues with the cities, however \$6 million is not enough for enforcement.

Persons Testifying: CON: Shankar Narayan, American Civil Liberties Union of WA; Brian Enslow, WA State Assn. of Counties; Seth Dawson, WA Assn. for Substance Abuse Prevention; Erin Palmer, citizen.

OTHER: Jennifer Estroff, Americans for Safe Access; Candice Bock, Assn. of WA Cities.

Persons Signed in to Testify But Not Testifying: OTHER: Arthur West, citizen.