

SENATE BILL REPORT

E2SSB 5796

As Amended by House, March 4, 2022

Title: An act relating to restructuring cannabis revenue appropriations to provide transparency and accountability and to increase community infrastructure and investment.

Brief Description: Restructuring cannabis revenue appropriations.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Saldaña, Stanford, Keiser, Lias and Wilson, C.).

Brief History:

Committee Activity: Labor, Commerce & Tribal Affairs: 1/19/22, 1/26/22 [DPS-WM, DNP, w/oRec].

Ways & Means: 2/05/22, 2/07/22 [DP2S, DNP, w/oRec].

Floor Activity: Passed Senate: 2/14/22, 41-7.

Passed House: 3/4/22, 78-18.

Brief Summary of Engrossed Second Substitute Bill

- Renames the Dedicated Marijuana Account to the Dedicated Cannabis Account.
- Restructures, modifies, and removes certain appropriations to agencies, local governments, and the State General Fund.

SENATE COMMITTEE ON LABOR, COMMERCE & TRIBAL AFFAIRS

Majority Report: That Substitute Senate Bill No. 5796 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Keiser, Chair; Conway, Vice Chair, Labor; Stanford, Vice Chair, Commerce & Tribal Affairs; Rivers, Robinson and Saldaña.

Minority Report: Do not pass.

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

Signed by Senators Braun and Schoesler.

Minority Report: That it be referred without recommendation.

Signed by Senator King, Ranking Member.

Staff: Matt Shepard-Koningsor (786-7627)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5796 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Capital; Robinson, Vice Chair, Operating & Revenue; Billig, Carlyle, Conway, Dhingra, Hasegawa, Hunt, Keiser, Pedersen, Van De Wege and Wellman.

Minority Report: Do not pass.

Signed by Senators Wilson, L., Ranking Member; Brown, Assistant Ranking Member, Operating; Schoesler, Assistant Ranking Member, Capital; Honeyford, Ranking Minority Member, Capital; Braun, Gildon, Mullet, Muzzall, Wagoner and Warnick.

Minority Report: That it be referred without recommendation.

Signed by Senator Rivers.

Staff: Amanda Cecil (786-7460)

Background: Dedicated Marijuana Account. The Dedicated Marijuana Account (Marijuana Account) is an appropriated account in the custody of the state treasurer. All moneys received by the Liquor and Cannabis Board (LCB) from marijuana-related activities must be deposited in the Marijuana Account. These moneys include marijuana excise taxes collected on sales of marijuana and marijuana products, license fees, penalties, and forfeitures from marijuana producers, processors, researchers, and retailers. Moneys from the account are distributed to agencies, local governments, and to the Basic Health Plan Trust Account. At the end of each fiscal year (FY), unappropriated amounts in the Marijuana Account are transferred into the state general fund.

Cannabis Appropriations. According to LCB's 2021 Annual Report, total cannabis income, which includes excise tax, license fees, and penalties, was \$473.9 million in FY20 and \$559.5 million in FY21. The current structure and amounts of cannabis appropriations are as follows:

- the Legislature must annually appropriate:
 - \$500,000 to the Health Care Authority (HCA) to design and administer the Washington State Healthy Youth Survey;
 - until 2032, \$200,000 to HCA to contract with the Washington State Institute for Public Policy (WSIPP) to conduct cost-benefit evaluations and produce reports

- regarding the legalization of marijuana;
- \$20,000 to the University of Washington (UW) alcohol and drug abuse institute for education materials regarding health and safety risks posed by marijuana use;
- not less than \$1,250,000 to LCB for administration of the state Uniform Controlled Substances Act (UCSA);
- \$1,323,000 in FY20 to the Health Professions Account for the development and administration of the Washington State Department of Health (DOH) marijuana authorization database;
- \$2,453,000 in FY20, \$2,423,000 in FYs 21-23 to the Washington State Patrol Drug Enforcement Task Force;
- \$98,000 in FY19 to the Washington State Department of Ecology (Ecology) for research on accreditation of marijuana product testing laboratories;
- \$465,000 in FY20, \$464,000 in FY21, \$270,000 in FY22, and \$276,000 in FY23 to Ecology for accreditation of marijuana product testing laboratories;
- \$189,000 in FY20 to DOH for rule making regarding compassionate care renewals;
- \$808,000 in FYs 21-23 to DOH for administration of the marijuana authorization database;
- \$635,000 in FY20, \$635,000 in FY21, \$621,000 in FY 22, \$627,000 in FY23 to the Washington State Department of Agriculture (WSDA) for marijuana pesticide testing;
- \$1,650,000 in FY22 and \$1,650,000 in FY23 to the Washington State Department of Commerce (Commerce) to fund the cannabis social equity technical assistance grant program; and
- \$163,000 in FY22 and \$159,000 in FY23 to Commerce to establish the cannabis social equity roster of mentors;
- after appropriation of the amounts above, the Legislature must appropriate the remaining amounts in the Marijuana Account as follows:
 - up to 15 percent, but not less than \$25,536,000, subject to additional limitations, to HCA for administration of programs and practices aimed at prevention or reduction of substance use among middle and high school-age students;
 - up to 10 percent, but not less than \$9,750,000, to DOH for administration of a marijuana education and public health program and the Washington Poison Control Center;
 - up to 0.6 percent to UW and 0.4 percent to Washington State University (WSU) for marijuana research; except for FYs 19-23, the minimum amount appropriated to UW must be \$1,021,000 and \$681,000 to WSU;
 - 50 percent to the state Basic Health Plan Trust Account, administered by HCA;
 - 5 percent to HCA for contracted community centers providing certain health services; and
 - up to 0.3 percent, but not less than \$511,000, to the Washington Office of the Superintendent of Public Instruction (OSPI) to fund grants to building bridges

programs;

- after appropriation of the amounts above, the Washington State Treasurer (Treasurer) must transfer the remaining amounts into the state general fund; and
- if marijuana excise tax collections from the previous FY exceed \$25,000,000, then the Legislature must appropriate an amount equal to 30 percent, but not more than \$15,000,000 in FYs 18-21 or \$20,000,000 in succeeding FYs, of all marijuana excise taxes to the Treasurer for distribution to counties, cities, and towns (local governments) as follows:
 - 30 percent to local governments where licensed marijuana retailers are physically located—each jurisdiction must receive a proportional share based on total revenues generated and taxes collected in such jurisdiction; and
 - 70 percent to local governments on a per capita basis provided the jurisdiction does not prohibit marijuana siting—counties must receive 60 percent based on each county's total proportional population.

Summary of Engrossed Second Substitute Bill: The Marijuana Account is renamed to the Dedicated Cannabis Account (Cannabis Account).

Cannabis Appropriations. *Modified, New Appropriations.* The Legislature must annually appropriate money in the Cannabis Account as follows:

- \$12,500,000 to LCB for administration of the UCSA;
- \$11,000,000 to DOH for administration of a commercial tobacco, vapor product, and marijuana education and public health program and the Washington Poison Control Center;
- \$3,000,000 to Commerce to fund the cannabis social equity technical assistance grant program and for administration of low interest loans to cannabis social equity application licensees;
- \$200,000 to Commerce to fund any cannabis social equity technical assistance roster of mentors;
- until June 30, 2032, \$250,000 to HCA to contract with WSIPP to conduct cost-benefit evaluations and produce reports regarding the legalization of marijuana;
- \$25,000 to UW alcohol and drug abuse institute for education materials regarding health and safety risks posed by marijuana use;
- \$300,000 to UW and \$175,000 to WSU for marijuana research;
- \$550,000 to OSPI to fund grants to building bridges programs;
- \$2,423,000 for FY22 and \$2,793,000 for FY23 for the Washington State Patrol Drug Enforcement Task Force;
- \$270,000 in FY22 and \$464,000 in FY23 to Ecology for accreditation of marijuana product testing laboratories;
- \$800,000 in FYs 20-23 to DOH for administration of the marijuana authorization database; and
- \$621,000 in FY22 and \$635,000 in FY23 to WSDA for marijuana pesticide testing.

The amounts listed above that continue beyond FY23 must be adjusted annually based on

the United States Bureau of Labor Statistics' Consumer Price Index for the Seattle area.

Any amounts remaining after the distributions above must be distributed as follows:

- 50 percent to the Basic Health Trust Plan Account;
- 1.5 percent to local governments where retailers are physically located and each jurisdiction must receive a proportional share based on total revenues generated and taxes collected in such jurisdictions;
- 3.5 percent to local governments on a per capita basis provided the jurisdiction does not prohibit marijuana siting—counties must receive 60 percent based on each county's total proportional population;
- 10 percent to HCA for administration of the Washington State Healthy Youth Survey, programs and practices aimed at prevention or reduction of substance use among middle and high school-age students, and contracted community centers providing certain health services; and
- 35 percent to the State General Fund.

Lapsed Appropriations. Specific FY appropriations that have lapsed are removed.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill (Labor, Commerce & Tribal Affairs): *The committee recommended a different version of the bill than what was heard.*
PRO: We must change the structure that has been in place since November 2012 to provide needed investments in community. Cannabis revenues have found their way into the general fund and transparency is lacking. Investments in community and local governments are necessary. Snohomish County struggles with being able to provide enough support to the homeless community and address the opioid crisis. We support the bill but are hopeful for additional county funding. More transparency and accountability make this more of a participatory budget matter, which we support.

Persons Testifying (Labor, Commerce & Tribal Affairs): PRO: Senator Rebecca Saldaña, Prime Sponsor; Vicki Christophersen, Washington CannaBusiness Association; Josh Weiss, Snohomish County; Paula Sardinas, WBBA/FMSGs.

Persons Signed In To Testify But Not Testifying (Labor, Commerce & Tribal Affairs): No one.

Staff Summary of Public Testimony on First Substitute (Ways & Means): *The*

committee recommended a different version of the bill than what was heard. PRO: This bill brings complete clarity and transparency. Cities and counties appreciate the increased distributions. Snohomish County generates more revenue than it received and more funding is needed to address opioid related deaths. More is needed for cannabis research. The war on drugs effects black and brown communities disproportionately and this bill will allocate funds to those communities that have been harmed.

Persons Testifying (Ways & Means): PRO: Doug Levy, Outcomes By Levy, LLC-Cities of Renton, Lake Stevens, Fife; Jim Makoso, Lucid Labs; Josh Weiss, Snohomish County; Jim Buchanan, Washington State African American Cannabis Association; Philip Petty, WSAACA; Paula Sardinas, WA Build-Back Black Alliance (WBBA).

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.

EFFECT OF HOUSE AMENDMENT(S):

- Replaces the term "marijuana" with the term "cannabis" throughout the bill.
- Removes a proposed reference to loans in the context of funding for a cannabis social equity grant program administered by the Department of Commerce.
- Directs \$200,000 annually instead of a proposed \$250,000 annually, until June 30, 2032, to the Health Care Authority (HCA) to contract with the Washington State Institute for Public Policy to conduct cost-benefit evaluations and produce reports.
- Directs \$2,423,000 for fiscal year (FY) 2023, instead of a proposed \$2,793,000, to the Washington State Patrol for a drug enforcement task force.
- Directs \$290,000 for FY23, instead of a proposed \$464,000, to the Department of Ecology for implementation of accreditation of cannabis product testing laboratories.
- Directs 52 percent instead of 50 percent of secondary appropriations annually to the State Basic Health Plan Trust Account.
- Directs 11 percent instead of 10 percent of secondary appropriations annually to HCA for purposes including designing and administering the Healthy Youth Survey, developing substance use disorder prevention programs among middle and high school-age students, and contracting with community health centers.
- Directs 32 percent instead of 35 percent of secondary appropriations annually to the State General Fund.
- Requires the Joint Legislative Audit and Review Committee to conduct a review of the appropriation and expenditure of cannabis revenues and report to the Legislature by December 1, 2023.