

Multiple Agency Fiscal Note Summary

| | |
|-----------------------------|--------------------------------------------|
| Bill Number: 502 XIL | Title: AN ACT Relating to marijuana |
|-----------------------------|--------------------------------------------|

Estimated Cash Receipts

| Agency Name | 2011-13 | | 2013-15 | | 2015-17 | |
|------------------------------------------|----------------------------------------------------------|-------|-----------|--------|-----------|--------|
| | GF- State | Total | GF- State | Total | GF- State | Total |
| Office of State Treasurer | Non-zero but indeterminate cost. Please see discussion." | | | | | |
| Office of Attorney General | Non-zero but indeterminate cost. Please see discussion." | | | | | |
| Office of Financial Management | Non-zero but indeterminate cost. Please see discussion." | | | | | |
| Washington State Health Care Authority | Non-zero but indeterminate cost. Please see discussion." | | | | | |
| Office of Administrative Hearings | 0 | 0 | 0 | 19,200 | 0 | 19,200 |
| Department of Revenue | Non-zero but indeterminate cost. Please see discussion." | | | | | |
| Liquor Control Board | Non-zero but indeterminate cost. Please see discussion." | | | | | |
| Washington State Patrol | Non-zero but indeterminate cost. Please see discussion." | | | | | |
| Department of Licensing | Non-zero but indeterminate cost. Please see discussion." | | | | | |
| Department of Social and Health Services | Non-zero but indeterminate cost. Please see discussion." | | | | | |
| Total \$ | 0 | 0 | 0 | 19,200 | 0 | 19,200 |

Estimated Expenditures

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

** See local government fiscal note

FNPID 32606

FNS029 Multi Agency rollup

| 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 Attorney General | Non-zero but indeterminate cost and/or savings. Please see discussion. | | | | | | | | |
| Caseload Forecast Council | .0 | 0 | 0 | .0 | 0 | 0 | .0 | 0 | 0 |
| Office of Financial Management | Non-zero but indeterminate cost and/or savings. Please see discussion. | | | | | | | | |
| Washington State Health Care Authority | Non-zero but indeterminate cost and/or savings. Please see discussion. | | | | | | | | |
| Office of Administrative Hearings | .0 | 0 | 0 | .0 | 0 | 19,200 | .0 | 0 | 19,200 |
| Department of Revenue | Non-zero but indeterminate cost and/or savings. Please see discussion. | | | | | | | | |
| Liquor Control Board | .6 | 0 | 683,600 | 33.8 | 0 | 7,735,800 | 36.0 | 0 | 5,170,400 |
| Washington State Patrol | Non-zero but indeterminate cost and/or savings. Please see discussion. | | | | | | | | |
| Criminal Justice Training Commission | .0 | 0 | 0 | .0 | 0 | 0 | .0 | 0 | 0 |
| Department of Licensing | 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 | Non-zero but indeterminate cost and/or savings. Please see discussion. | | | | | | | | |
| Department of Agriculture | Non-zero but indeterminate cost and/or savings. Please see discussion. | | | | | | | | |
| Total | 0.6 | \$0 | \$683,600 | 33.8 | \$0 | \$7,755,000 | 36.0 | \$0 | \$5,189,600 |

| | | | | | | | | | |
|---------------------|---------------------------------------------------------|--|--|--|--|--|--|--|--|
| 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

| | | |
|-----------------------------------------|---------------------------------|------------------------------------------------|
| Prepared by: Monica Jenkins, OFM | Phone: (360) 902-0561 | Date Published: Pending Distribution |
|-----------------------------------------|---------------------------------|------------------------------------------------|

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

** See local government fiscal note

FNPID 32606

FNS029 Multi Agency rollup

Judicial Impact Fiscal Note

Revised

| | | |
|-----------------------------|--------------------------------------------|-----------------------------------------------|
| Bill Number: 502 XIL | Title: AN ACT Relating to marijuana | Agency: 055-Admin Office of the Courts |
|-----------------------------|--------------------------------------------|-----------------------------------------------|

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.

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: Devon Nichols | Phone: (360) 786-7715 | Date: 02/03/2012 |
| Agency Preparation: Charlotte Jensen | Phone: 360-705-5213 | Date: 06/29/2012 |
| Agency Approval: Colleen Clark | Phone: 360-704-4143 | Date: 06/29/2012 |
| OFM Review: Jim Albert | Phone: (360) 902-0419 | Date: 06/29/2012 |

Request # -4

Part II: Narrative Explanation

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

New sections will be codified under chapter 69.50 RCW.

Section 1

This initiative authorizes the state liquor control board to regulate and tax marijuana for persons twenty-one years of age and older, and it adds a new threshold for driving under the influence of marijuana.

Section 4

The production, possession, delivery, distribution, and sale of marijuana in accordance with the provisions of the act and the rules adopted to implement and enforce it, by a validly licensed marijuana producer shall not be a criminal or civil offense under Washington state law.

Section 13

Retail sale of useable marijuana and marijuana-infused products by a validly licensed marijuana retailer shall not be a criminal or civil offense under Washington state law.

Section 15

The following acts when performed by a validly licensed marijuana retailer or employee of a validly licensed retail outlet shall not constitute criminal or civil offenses under Washington state law:

- (1) Purchase and receipt of marijuana that has been properly packaged and labeled;
- (2) Possession of quantities of marijuana that do not exceed the maximum amounts established under section 10 (5) of the act;
- (3) Delivery, distribution, and sale on the premises of the retail outlet of listed amounts of marijuana to any person twenty-one or older.

Section 16

The following acts when performed by a validly licensed marijuana processor or employee shall not constitute criminal or civil offenses under Washington state law:

- (1) Purchase and receipt of marijuana that has been properly packaged and labeled;
- (2) Possession, processing, packaging, and labeling of quantities of marijuana that do not exceed the maximum amounts established under section 10 (5);
- (3) Delivery, distribution, and sale of marijuana to a marijuana retailer validly licensed under the act.

Section 17

The following acts when performed by a validly licensed marijuana producer or employee shall not constitute criminal or civil offenses under Washington state law:

- (1) Production or possession of quantities of marijuana that do not exceed the maximum amounts established under section 10 (5);
- (2) Delivery, distribution, and sale of marijuana to a marijuana processor or another marijuana producer validly licensed under the act.

Section 19 amends RCW 69.50.401

The production, manufacture, processing, packaging, delivery, distribution, sale, or possession of marijuana is removed from controlled substance violations.

Section 20 amends RCW 69.50.4013

The possession of marijuana by a person twenty-one years of age or older in amounts that do not exceed those set forth in section 15(3) is not a violation of this section, this chapter, or any other provision of Washington state law.

Section 21 creates a new section under chapter 60.50 RCW

It is unlawful to open a package containing marijuana or consume marijuana in view of the general public. A person who violates this section is guilty of a class 3 civil infraction under chapter 7.80 RCW.

Section 22 amends RCW 69.50.412

Marijuana is exempted from criminal drug paraphernalia offenses under this statute.

Section 23 amends RCW 69.50.4121

Marijuana is exempted from civil drug paraphernalia offenses under this statute.

Section 25 amends RCW 69.50.505

Marijuana-related drug paraphernalia and lawful amounts of marijuana are exempted from seizure and forfeiture.

Section 31 amends RCW 46.20.308

THC concentration is added to the determining factors for license suspension.

Section 33 amends RCW 46.61.502

Marijuana is included with alcohol and drugs under the DUI statute.

Section 34 amends RCW 46.61.503

Marijuana is included with alcohol under the DUI/physical control statute (under twenty-one).

Section 35 amends RCW 46.61.504

Marijuana is included with alcohol under the DUI/physical control statute.

ASSUMPTIONS:

1. RCW 69.50.4014 (Possession of less than 40 grams of Marijuana) is not repealed by this initiative. Based on the following lead agency assumptions, individuals would continue to be subject to criminal prosecution (misdemeanor).

Beginning December 1, 2013 when a legal marijuana market is established, it is assumed that individuals twenty-one years of age or older are also legally authorized to possess and use:

- One ounce of useable marijuana;
- Sixteen ounces of marijuana-infused product in solid; or
- Seventy-two ounces of marijuana-infused product in liquid form.
- Marijuana-related drug paraphernalia.

It is assumed that individuals would continue to be subject to criminal prosecution (misdemeanor or felony) for:

- Possession in amounts greater than those noted above even if purchased from a LCB licensed retailer.
- Possession of any quantity or kind of marijuana or marijuana-infused product by a person under twenty-one years of age.

It is assumed that there may be a reduction in these criminal prosecution filings, but we do not have data to accurately predict that reduction.

2. It is assumed that there will be an unknown reduction in charges under the following statutes:

- RCW 69.50.412 (misdemeanor drug paraphernalia violations)
- RCW 69.50.4121 (civil infraction drug paraphernalia offenses)
- RCW 69.50.4013 (possession of a controlled substance without a prescription)
- RCW 69.50.401 (felony controlled substance violations).

3. It is assumed that there could be an unknown increase in criminal DUI and Driving While License Suspended (DWLS) charges.

4. It is assumed that there will be an unknown increase in blood search warrants to obtain THC readings.

5. It is assumed that the impact to the courts will be seen beginning in December, 2012.

II. B - Cash Receipts Impact

Primary fiscal impacts to the courts will result from the likelihood that there may be a reduction in cases filed in the courts charging adults with violations under RCW 69.50.4014 for Possession of Less than 40 grams of Marijuana, a misdemeanor.

Average annual convictions for Possession of Less Than 40 Grams of Marijuana in 2010/2011:

934 Municipal Court
2,043 District Court
282 Superior Court (adults)

Note: There were also 624 juvenile convictions in superior court, but it is assumed that rate would not drop.

In addition, there are approximately 575 annual marijuana-related felony convictions for adults (based on SGC conviction data).

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 and assessments. 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%.

It is assumed that there will be a reduction of revenue to the courts if there is a reduction in the number of filings and resulting convictions for possession of less than 40 grams of marijuana.

We do not have data that will accurately project what impact the provisions in this initiative will have on the filing rate, resulting conviction rate, and related revenue. Therefore, the overall cash receipts impact is indeterminate, but greater than \$50,000 per fiscal year.

II. C - Expenditures

It is unknown how much these potential reductions in caseload would be offset by increased filings under DUI and DWLS statutes or whether the potential reductions in judicial officers and staff would actually be realized. Therefore, the overall expenditure impact is indeterminate, but greater than \$50,000 per fiscal year.

Average annual filings for Possession of Less Than 40 Grams of Marijuana in 2010/2011:

2,604 Municipal Court
6,006 District Court
698 Superior Court - adults

Note: There were also 1,217 juvenile filings in superior court, but it is assumed that rate would not drop.

There are approximately 678 annual marijuana-related felony filings for adults (based on SGC conviction data and assuming convictions are 85% of filings). It is not possible to predict what impact the provisions in this initiative will have on that filing rate.

Potential Caseload Reduction:

It is not possible to estimate potential judicial workload savings as a result of the changes under this initiative. However, judicial workload savings can only be realized if the number of judicial officers 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, 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 27 hours at \$120 per hour for a one-time cost to the state of \$3,240.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

SUPERIOR COURT STANDARD ASSUMPTIONS

| | Staff Ratio | LOCAL COSTS | | STATE COSTS |
|----------------------------------|---------------------------|---------------------------|------------------|---------------------------------------|
| | | Salary & Benefits | Operational | Salary & Benefits |
| Superior Court Judicial Officers | n/a | \$74,416 (half salary) | \$47,379 | \$117,992 (half salary + benefits) |
| Superior Court Line Staff | 2.39 per judicial officer | \$50,434 | Included above | \$0 |
| County Clerk Line Staff | 3.31 per judicial officer | \$50,434 | \$11,751 per FTE | \$0 |

Notes:

1. Staffing data reported to the AOC by the courts and county clerks at year end 2010.
2. Superior court judges' salary set by the Salary Commission. The county pays half of the judges' salary. The state pays half of the salary and 100% of the benefits.
3. Staff salary obtained from the Washington City and County Employee 2010 Salary & Benefit Survey. Benefits estimated at 23%.
4. Local operation costs calculated from the Washington State Auditor's 2010 Local Government Financial Reporting System data.

DISTRICT COURT STANDARD ASSUMPTIONS

| | LOCAL COSTS | | | STATE COSTS |
|----------------------------------|---------------------------|-------------------|----------------|-------------------|
| | Staff Ratio | Salary & Benefits | Operational | Salary & Benefits |
| District Court Judicial Officers | n/a | \$174,301 | \$20,581 | \$0 |
| District Court Line Staff | 6.53 per judicial officer | \$50,434 | Included above | \$0 |

Notes:

1. Staffing data reported to the AOC by the courts at year end 2010.
2. District court judge salary set by the Salary Commission. Benefits estimated at 23%.
3. Staff salary obtained from the Washington City and County Employee 2010 Salary & Benefit Survey. Benefits estimated at 23%.
4. Local operation costs calculated from the Washington State Auditor's 2010 Local Government Financial Reporting System data.

MUNICIPAL COURT STANDARD ASSUMPTIONS

| | Staff Ratio | LOCAL COSTS | | STATE COSTS |
|-----------------------------------|---------------------------|-------------------|----------------|-------------------|
| | | Salary & Benefits | Operational | Salary & Benefits |
| Municipal Court Judicial Officers | n/a | \$155,446 | Included below | \$0 |
| Municipal Court Line Staff | 7.68 per judicial officer | \$57,934 | \$52,268 | \$0 |

Notes:

1. Staffing data reported to the AOC by the courts at year end 2010.
2. Judicial salary data from the 2003 DMCJA Salary Survey + CPI-W. Benefits estimated at 23%.
3. Staff salary from the 2010 Washington City and County Employee Salary & Benefit Survey. Benefits estimated at 23%.
4. Local operational costs calculated from the Washington State Auditor's 2010 Local Government Financial Reporting System data.

Individual State Agency Fiscal Note

| | | |
|-----------------------------|--------------------------------------------|----------------------------------------------|
| Bill Number: 502 XIL | Title: AN ACT Relating to marijuana | Agency: 090-Office of State Treasurer |
|-----------------------------|--------------------------------------------|----------------------------------------------|

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:

Non-zero but indeterminate cost. Please see discussion.

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: Devon Nichols | Phone: (360) 786-7715 | Date: 02/03/2012 |
| Agency Preparation: Dan Mason | Phone: 360-902-9090 | Date: 02/22/2012 |
| Agency Approval: Dan Mason | Phone: 360-902-9090 | Date: 02/22/2012 |
| OFM Review: Cheri Keller | Phone: 360-902-0563 | Date: 02/22/2012 |

Request # 140-1

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.

Initiative 502 creates the dedicated marijuana fund. Earnings from investments will be credited to the general fund.

Earnings from investments:

Estimated earnings from investments are indeterminable because projected cash flows are needed to make the estimate and are currently unavailable. Earnings for an account are 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.

For illustrative purposes, assume based on the February 2012 Revenue Forecast that the net rate for estimating earnings for FY 12 is 0.10%, FY 13 is 0.10%, FY 14 is 0.10%, and FY 15 is 1.11%. Approximately \$1,000 in FY 12, \$1,000 in FY 13, \$1,000 in FY 14, and \$11,100 in FY 15 in net earnings and \$5,000 in 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.

Initiative 502 creates the dedicated marijuana 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

Non-zero but indeterminate cost. Please see discussion.

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: 502 XIL | Title: AN ACT Relating to marijuana | Agency: 100-Office of Attorney General |
|-----------------------------|--------------------------------------------|-----------------------------------------------|

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:

Non-zero but indeterminate cost. Please see discussion.

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: Devon Nichols | Phone: (360) 786-7715 | Date: 02/03/2012 |
| Agency Preparation: Cam Comfort | Phone: (360) 664-9429 | Date: 03/23/2012 |
| Agency Approval: Sarian Scott | Phone: (360) 586-2104 | Date: 03/23/2012 |
| OFM Review: Cheri Keller | Phone: 360-902-0563 | Date: 03/27/2012 |

Request # 12-201-2

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.

Section 1 is a new section which is a statement of the intent of the people.

Section 2 amends RCW 69.50.101 to amend definitions for “isomer,” and “marijuana or “marihuana,” and add definitions for “lot,” “lot number,” “marijuana processor,” “marijuana producer,” “marijuana-infused products,” “marijuana retailer,” “retail outlet,” “THC concentration,” and “useable marijuana.”

Section 3 adds a new section to RCW 46.04 defining “THC concentration.”

Section 4 is a new section.

Section 4(1) provides there shall be a marijuana producer’s license regulated by the Liquor Control Board (LCB) and subject to annual renewal. The production, possession, delivery, distribution, and sale of marijuana by a validly licensed marijuana producer in accordance with the provisions of this act and rules adopted to implement and enforce it, would not be subject to a criminal or civil offense under Washington law.

Section 4(2) provides there shall be a marijuana processor’s license regulated by the LCB and subject to annual renewal. The processing, packaging, possession, delivery, distribution, and sale of marijuana, useable marijuana, and marijuana-infused products by a validly licensed marijuana processor in accordance with the provisions of this act and rules adopted to implement and enforce it, would not be subject to a criminal or civil offense under Washington law.

Section 4(3) provides there shall be a marijuana retailer’s license regulated by the LCB and subject to annual renewal. The possession, delivery, distribution, and sale of useable marijuana and marijuana-infused products by a validly licensed marijuana retailer in accordance with the provisions of this act and rules adopted to implement and enforce it, would not be subject to a criminal or civil offense under Washington law.

Section 5 is a new section prohibiting a licensed marijuana producer or processor from having a direct or indirect financial interest in a licensed marijuana retailer.

Section 6 is a new section authorizing the LCB, for the purposes of licensing, to cause an inspection of the premises to be made, and to inquire into all matters in connection with the construction and operation of the premises. LCB also may consider any prior criminal history of the applicant including an administrative violation history record with the LCB and a criminal history record information check. Fingerprinting is required of any application whose criminal history record is submitted to the FBI. Certain persons are prohibited from being issued a license. LCB is provided discretion with respect to applications and taking various enforcement actions with respect to licenses. Various procedures are provided.

Section 7 is a new section providing that certain LCB actions are adjudicating proceedings that are subject to the applicable provisions of the Administrative Procedure Act, RCW 34.05. Hearings are required in certain circumstances. Summary license suspensions for a period of up to 180 days are authorized.

Section 8 is a new section authorizing, upon LCB approval, the transfer of a marijuana-related license, without charge, to a surviving spouse or domestic partner of a deceased licensee if the license was issued in the names of one or both of the parties. A proposed sale of more than 10 % of the outstanding or issued stock of a corporation licensed under this act, or any proposed change in the corporate officers, must be reported to the LCB and a processing fee charged.

Section 9 is a new section authoring the LCB to adopt necessary or advisable rules to carry out the provisions of this act.

Section 10 is a new section requiring the LCB to adopt rules by December 31, 2013, that establish the procedures and criteria necessary to implement certain specified matters.

Section 11 is a new section requiring licensed producers and processors, on a schedule determined by LCB, to submit representative samples to an independent, third-party testing laboratory meeting LCB accreditation requirements.

Section 12 is a new section generally prohibiting LCB board members and employees from having any direct or indirect interest in the production, processing, or sale of marijuana, useable marijuana, or marijuana-infused products.

Section 13 is a new section authorizing the LCB to limit the number of licensed retail outlets established to make useable marijuana and marijuana-infused products available for sale to adults aged 21 and older.

Section 14 is a new section prohibiting retail outlets from (a) selling products or services other than useable marijuana, marijuana-infused products, or paraphernalia intended for storage or use of useable marijuana or marijuana-infused products, (b) employing persons under 21 years of age or allowing persons under 21 years of age from entering or remaining on the premises, (c) displaying signage that is visible to the general public from a public right-of-way other than a single sign identifying the name of the business, (d) displaying useable marijuana or marijuana products in a manner that is visible to the general public from a public right of way, or (e) allowing any useable marijuana or marijuana-infused product to be opened or consumed on the premises. LCB may fine a licensee \$1,000 for each violation of any subsection of this section. Such fines must be deposited into the Dedicated Marijuana Fund created under section 26 of this act.

Section 15 is a new section specifying various acts that, when performed by a validly licensed marijuana retailer or employee in compliance with LCB rules, do not constitute criminal or civil offenses under Washington law.

Section 16 is a new section specifying various acts that, when performed by a validly licensed marijuana processor or employee in compliance with LCB rules, do not constitute criminal or civil offenses under Washington law.

Section 17 is a new section specifying various acts that, when performed by a validly licensed marijuana producer or employee in compliance with LCB rules, do not constitute criminal or civil offenses under Washington law.

Section 18 is a new section placing restrictions on the advertising of marijuana, useable marijuana, or marijuana-infused products. LCB may fine a licensee \$1,000 for each violation of this section. Such fines must be deposited into the Dedicated Marijuana Fund created under section 26 of this act.

Section 19 amends RCW 69.50.401 to add a new subsection providing that the production, manufacture, processing, packaging, delivery, distribution, sale, or possession of marijuana in compliance with sections 15 through 17 of this act shall not constitute a violation of this section, chapter, or any other provision of Washington law.

Section 20 amends RCW 69.50.4013 to add a new subsection providing that the possession, by a person 21 years of age or older, of useable marijuana or marijuana-infused products in amounts that do not exceed those set forth in section 15(3) of this act is not a violation of this section, chapter, or any other provision of Washington law.

Section 21 is a new section making it unlawful to open a package containing marijuana, useable marijuana, or a marijuana-infused product, or consume marijuana, useable marijuana, or a marijuana-infused product in view of the general public. A violation of this section is a class 3 civil infraction under RCW 7.80.

Section 22 amends RW 69.50.412 relating to drug paraphernalia, to add exceptions related to marijuana.

Section 23 amends RCW 69.50.4121 relating to drug paraphernalia, to add an exception related to marijuana and to delete from the scope of “drug paraphernalia” objects related to hashish and hashish oil, and roach clips, chillums, and bongs.

Section 24 amends RCW 69.50.500 to add a reference to the LCB.

Section 25 amends RCW 69.50.505 relating to seizure and forfeiture, to exclude paraphernalia possessed, sold, or used solely to facilitate marijuana-related activities that are not in violation of this chapter. In ascertaining whether marijuana is possessed for commercial purposes that are unlawful under Washington state law, the intent of the offender is to be determined by, among other things, whether the offender is licensed or an employee of a licensee.

Section 26 is a new section creating the Dedicated Marijuana Fund consisting of all marijuana excise taxes, license fees, penalties, forfeitures, and all other moneys, income, or revenue received by the LCB from marijuana-related activities.

Section 27 is a new section imposing a marijuana excise taxes equal to 25% of the selling price on wholesale sales and retail sales in this state for marijuana, useable marijuana, and marijuana-infused products. LCB must regularly review the tax levels established under this section and make recommendations to the Legislature regarding adjustments that would further the goal of discouraging use while undercutting illegal market prices.

Section 28 is a new section requiring LCB to disburse marijuana excise taxes and license fees, penalties, and forfeitures every three (3) months. The recipients of the disbursements include the Department of Social and Health Services (DSHS), the University of Washington Drug and Alcohol Abuse Institute, and the LCB.

Section 29 is a new section requiring DSHS, by December 1, 2013, to adopt rules to carry into effect the provision of section 28 of this act.

Section 30 is a new section requiring the Washington State Institute for Public Policy to conduct cost-benefit evaluations of the implementation of this act and provide a preliminary report to the appropriate committees of the Legislature on September 1, 2015. Additional reports are required on September 1, 2017, September 1, 2022, and September 1,

2032.

Section 31 amends RCW 46.20.308 relating to operating a motor vehicle within this state and implied consent, to add references to tetrahydrocannabinol (THC) concentration and to impose thresholds applying to the THC concentration of the driver's blood.

Section 32 amends RCW 46.20.3101 relating to required suspensions, revocations, or denials of a person's license, permit, or privilege to drive and to impose thresholds applying to the TCH concentration of the person's blood.

Section 33 amends RCW 46.61.502 relating to driving under the influence, to add references to marijuana and to impose a threshold applying to the TCH concentration of the person's blood. An affirmative defense to a marijuana-related violation is provided if the defendant provides by a preponderance of the evidence that he or she consumed a sufficient quantity of marijuana after the time of driving and before the administration of an analysis of his or her blood to cause the defendant's TCH concentration to be 5.00 or more within two (2) hours after driving. Analyses of blood samples obtained more than two (2) hours after the alleged driving may be used as evidence in certain specified circumstances.

Section 34 amends RCW 46.61.503 relating to driving or being in physical control of a motor vehicle, and adding references to marijuana and imposing a threshold applying to the TCH concentration of the person's blood.

Section 35 amends RCW 46.61.504 relating to actual physical control of a motor vehicle, to address marijuana consumption. An affirmative defense to a marijuana-related violation is provided if the defendant provides by a preponderance of the evidence that he or she consumed a sufficient quantity of marijuana after the time of being in actual physical control of the vehicle and before the administration of an analysis of his or her blood to cause the defendant's TCH concentration to be 5.00 or more within two (2) hours after being in physical control of the vehicle. Analyses of blood samples obtained more than two (2) hours after allegedly being in actual physical control of a vehicle may be used as evidence in certain specified circumstances.

Section 36 amends RCW 46.61.50571 relating to driving under the influence and under the age of 21, to include driving after consuming marijuana.

Section 37 amends RCW 46.61.506 to add a reference to the threshold applying to the person's TCH concentration.

Section 38 adds sections 4 through 18 of this act to RCW 69.50 under a subchapter heading.

Section 39 adds section 21 of this act to RCW 69.50 under a subchapter heading.

Section 40 adds sections 26 through 30 of this act to RCW 69.50 under a subchapter heading.

Section 41 requires the Code Reviser to prepare a bill for introduction at the next legislative session that corrects references to the sections affected by this act.

The Attorney General's Office (AGO) estimates a workload impact of 0.6 Assistant Attorney General (AAG) and 0.3 Legal Assistant (LA) at a cost of \$111,000 in Fiscal Year (FY) 2013, and 0.4 AAG and 0.2 LA at a cost of \$73,595 in

FY2014 and in each FY thereafter. The increase in staffing is to provide legal services for advice, and legal defense.

This initiative is assumed effective on December 6, 2012 per lead agency assumptions.

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.

Funds are assumed to be Legal Service Revolving Account dollars. Legal services costs incurred by the AGO will be billed through the revolving fund to the client agency.

AGO client agencies are assumed to be LCB and the Department of Licensing (DOL). The AGO will bill LCB and DOL for legal services rendered.

Please note that these cash receipts represent the AGO authority to bill and are not a direct appropriation to the AGO. The direct appropriation is reflected in the client agencies fiscal note. Appropriation authority is necessary in the AGO budget.

Billing by Client Agency:

1. LCB will be billed for 0.5 AAG and 0.3 LA in FY2013, and 0.3 AAG and 0.2 LA in FY2014 and in each FY thereafter:

FY2013: LSRF: \$93,512

FY2014 and in each FY thereafter: LSRF: \$56,107

2. DOL will be billed for 0.1 AAG in FY2013 and in each FY thereafter:

FY2013 and in each FY thereafter: LSRF: \$17,488

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 AGO estimates a workload impact of 0.6 AAG and 0.3 LA at a cost of \$111,000 in FY2013, and 0.4 AAG and 0.2 LA at a cost of \$73,595 in FY2014 and in each FY thereafter.

Assumptions:

1. Costs associated with internal administrative necessities relating to the enactment of this law are not included. These requirements include, at are not limited to, revisions of all AGO policies relating to alcohol to include marijuana use.
2. We assume LCB will require ongoing legal advice regarding rulemaking and with the implementation of a new licensing program.

3. We assume DOL will require ongoing litigation services related to defending judicial appeals of DOL decisions affecting driver licenses for driving while under the influence of marijuana.

4. Per OFM lead agency assumption, if passed in the November 6, 2012 general election, this initiative will become state law 30 days after the election on December 6, 2012.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

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

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: 502 XIL | Title: AN ACT Relating to marijuana | Agency: 101-Caseload Forecast Council |
|-----------------------------|--------------------------------------------|----------------------------------------------|

Part I: Estimates

No Fiscal Impact

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: Devon Nichols | Phone: (360) 786-7715 | Date: 02/03/2012 |
| Agency Preparation: Ed Vukich | Phone: 360-664-9374 | Date: 02/28/2012 |
| Agency Approval: John Steiger | Phone: 360-664-9370 | Date: 02/28/2012 |
| OFM Review: Cherie Berthon | Phone: 360-902-0659 | Date: 02/28/2012 |

Request # 12-51-1

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.

See the attachment.

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.

None.

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.

See the attachment.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

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

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.

INITIATIVE 502

MARIJUANA

101 – Caseload Forecast Council

February 28, 2012

SUMMARY

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

Section 19 exempts activities connected with all phases of marijuana from punishment under the Uniform Controlled Substances Act, if such activities, *etc.*, are in compliance with the provisions laid forth in the Initiative.

Section 20 exempts possession of marijuana by persons at least 21 years of age from punishment under the Uniform Controlled Substances Act, if such possession is in compliance with the provisions laid forth in the Initiative.

Section 21 establishes a Class 3 civil infraction for opening a package containing marijuana in public or consuming marijuana in public.

Section 22 exempts marijuana from provisions regarding drug paraphernalia.

Section 23 exempts marijuana from provisions regarding selling drug paraphernalia.

Section 25 exempts marijuana-related paraphernalia that is legal under the Initiative from provisions regarding seizure and forfeiture.

Mistake: Page 27, Line 31

Section 25 additionally exempts marijuana possessed for commercial purposes that is legal under the Initiative from provisions regarding seizure and forfeiture.

Section 31 amends implied consent test refusal provisions.

Section 32 amends implied consent penalty provisions.

Section 33 amends driving under the influence provisions.

Section 34 amends provisions regarding consuming alcohol and driving if under the age of 21.

Section 35 amends actual physical control provisions.

Section 36 amends mandatory appearance provisions.

Section 37 amends testing provisions.

EXPENDITURES

Assumptions.

None.

Impact on the Caseload Forecast Council.

None.

Impact on prison and jail beds.

This bill:

- Legalizes marijuana and its use for persons 21 years old and older.

The Caseload Forecast Council has no information regarding how legalized marijuana may impact the illegal marijuana trade and the offenses associated with it, nor how legal use may impact the number of incidents of driving under the influence and actual physical control. As such, the Caseload Forecast Council cannot reliably predict jail and prison bed impacts resulting from the bill.

Individual State Agency Fiscal Note

Revised

| | | |
|-----------------------------|--------------------------------------------|---------------------------------------------------|
| Bill Number: 502 XIL | Title: AN ACT Relating to marijuana | Agency: 105-Office of Financial Management |
|-----------------------------|--------------------------------------------|---------------------------------------------------|

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:

Non-zero but indeterminate cost. Please see discussion.

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: Devon Nichols | Phone: (360) 786-7715 | Date: 02/03/2012 |
| Agency Preparation: Stephanie Lidren | Phone: 360-902-3056 | Date: 06/28/2012 |
| Agency Approval: Aaron Butcher | Phone: 360-902-0406 | Date: 06/28/2012 |
| OFM Review: Garry Austin | Phone: 360-902-0564 | Date: 08/09/2012 |

Request # 078-3

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.

Summary

This initiative would license and regulate marijuana production, distribution, and possession for persons over twenty-one; remove state-law criminal and civil penalties for activities that it authorizes; tax marijuana sales; and earmark marijuana-related revenues

General Assumptions

The fiscal impact of this measure is subject to significant uncertainty for the following reasons:

- Federal laws classify marijuana as an illegal substance and provide criminal penalties for various activities relating to its use. To the extent that the federal government continues to enforce its prohibitions on marijuana, it would impede the activities permitted by this measure under state law. Likewise, some federal funds and grants are conditioned on compliance with federal drug laws. To the extent that the federal government enforces these provisions, state revenues could be adversely impacted.
- The initiative creates a closed highly regulated industry that does not exist anywhere.
- This estimate relies on published surveys and reports to develop a set of reasonable assumptions to assess the potential fiscal impacts to state and local governments. The literature on the production, market, and demand for marijuana acknowledges the difficulty in obtaining accurate and objective data due to the product's illegal nature. The inherent unreliability of existing data makes our analysis extremely difficult.

Therefore, impacts are indeterminate, but non-zero, for all agencies. However, each agency within the text of the fiscal note should show a range of potential impacts based on a baseline assumption of current consumption and a 10% increase from the baseline.

Effective Date

The initiative goes into effect on December 6, 2012 (30 days after general election). However, section 10 provides that the state liquor control board (LCB) must adopt rules by December 1, 2013, that establish the procedures and criteria necessary to implement the act. However, actual implementation may occur after rulemaking is completed. For purposes of the fiscal note, assume a legal marijuana market to be fully functioning with sales to the public on December 1, 2013. This means that most revenues, costs/savings and expenditures will not accrue until after December 1, 2013.

- Some agencies may incur costs prior to December 1, 2013 related to activities (rulemaking, licensure, establishing standards and classifications, creating forms and information, etc.) that are required as prerequisite to the creation of the legal marijuana market.
- The prohibitions on driving under the influence of marijuana take effect December 6, 2012.

Decriminalization/Criminalization

The initiative does not repeal RCW 69.50.4014, which provides that any person found guilty of possession of forty grams or less of marijuana is guilty of a misdemeanor.

However, sections 15 through 20 provide that the activities contained in the act are legal. Assume that licensed

marijuana producers, processors, and retailers engaged in activities in compliance with LCB rules (quantity, packaging, labeling, purchasing/sales to other licensees, etc.) are not subject to criminal prosecution. Assume persons who are not LCB licensed marijuana producers, processors, and retailers continue to be subject to criminal prosecution under current law.

Beginning December 1, 2013 when a legal marijuana market is established, assume individuals twenty-one years of age or older are also legally authorized to possess and use:

- One ounce of useable marijuana;
- Sixteen ounces of marijuana-infused product in solid form; or
- Seventy-two ounces of marijuana-infused product in liquid form.
- Marijuana-related drug paraphernalia

Assume individuals would continue to be subject to criminal prosecution (misdemeanor or felony) for:

- Possession in amounts greater than those noted above even if purchased from a LCB licensed retailer.
- Possession of any quantity or kind of marijuana or marijuana-infused product by a person under twenty-one years of age.

Effective December 6, 2012, driving while under the influence laws are changed to add THC concentration of a driver's blood at 5.00 or more for persons twenty-one and older and zero for persons under the age of twenty-one.

Assume practices authorized under chapter 69.51A RCW for medical marijuana patients and designated providers are not addressed nor included in this initiative.

Consumption

There is no way to determine with precision consumption of marijuana before or after legalization. Using national and international data, the fiscal note presents a range of impacts using 1) a baseline of estimated consumption of marijuana as an illicit drug and 2) a 10% increase in consumers and consumption. The fiscal note assumes that marijuana consumption will not decrease from the baseline after the legal marijuana market is established.

Using the United States Department of Health and Human Service, Substance Abuse & Mental Health Services Administration's National Survey on Drug Use and Health, 2008-2009 data for Washington, prevalence of use was 17.18% for persons eighteen to twenty-five years of age and 5.57% for twenty-six years of age and older. Assuming Washington's use of marijuana is increasing at the same rate as national use, estimated prevalence of use in CY 13 is 18.4% for persons eighteen to twenty-five years of age and 6.1% for twenty-six years of age and older. Applying those percentages to Washington's estimated population in CY 2013, our assumption is an estimated 363,000 Washington users.

We estimated the amount consumed using the pattern contained in United Nations Office on Drug and Crime, 2006 Bulletin on Narcotics, Review of the World Cannabis Situation, at page 48. The amount consumed by users ranged from a low of 18% consuming once a year to 3% consuming daily. Applying this consumption pattern to 363,000 users, assuming 2 grams per use, assume as a baseline number of grams consumed of 85,100,000 beginning CY 2013.

A 10% increase in consumers and consumption results in 399,000 users and 93,600,000 grams beginning CY 14.

No assumption is made about migration of consumers from out of state to purchase useable marijuana within Washington. No assumption is made about current medical marijuana users migrating sales to LCB licensed retailers.

The fiscal note does not assume an estimate of consumption of marijuana-infused products; there is very little literature on consumption of such products.

Price

Assume \$12 per gram. Medical marijuana dispensary prices on average range between \$10 and \$15 per gram with some premium products exceeding \$15 per gram. Based on average retail mark-up practices, producer price is \$3 per gram and processor price is \$6 per gram. No price elasticity is assumed.

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.

Revenues

General Assumptions

- Estimates should not assume any change in sales of spirits, wine, or beer.
- Estimates should not assume any change in current medical marijuana market.
- Assume 50% of marijuana is both produced and processed by the same seller. The remaining 50% is produced and then sold to a processor.

Marijuana Taxes – Administered and Collected by the Liquor Control Board

The initiative creates three new excise taxes:

- There is levied and collected a marijuana excise tax equal to 25% of the selling price on each wholesale sale in this state of marijuana by a licensed marijuana producer to a licensed marijuana processor or another licensed marijuana producer. This tax is the obligation of the licensed marijuana producer.
- There is levied and collected a marijuana excise tax equal to 25% of the selling price on each wholesale sale in this state of useable marijuana or marijuana-infused product by a licensed marijuana processor to a licensed marijuana retailer. This tax is the obligation of the licensed marijuana processor.
- There is levied and collected a marijuana excise tax equal to twenty-five percent of the selling price on each retail sale in this state of useable marijuana and marijuana-infused products. This tax is the obligation of the licensed marijuana retailer.
- All funds from marijuana excise taxes are deposited into the Dedicated Marijuana Fund.

General Excise Taxes – Administered and Collected by Department of Revenue and Cities

- General state and local sales and use taxes that apply to retail sales of tangible personal property, which includes useable marijuana. Although some marijuana-infused products could be exempt from retail sales tax as a food product, no assumption is made to the consumption of these products. Therefore, the estimate assumes all marijuana consumed is subject to retail sales tax.
- In addition to the new marijuana excise taxes, state business and occupation taxes will apply to these activities. State B&O rate for retailers is 0.471%. State B&O rate for processors is 0.484%. Assumes producers are exempt from

state B&O tax under RCW 82.04.330 as these are sales of agricultural products.

- State general excise taxes are deposited into the State General Fund.
- City B&O taxes may apply.

Marijuana Licenses

Producers and Processors

The initiative creates three new licenses to be administered by the LCB - 1) marijuana producers, 2) marijuana processors, and 3) marijuana retailers. For each license, there is a \$250 application fee and an issuance/renewal fee of \$1000. All license fees are deposited into the Dedicated Marijuana Fund.

- A license is required for each location in which marijuana is produced, processed or sold at retail.
- A licensed marijuana producer or processor may not have a direct or indirect financial interest in a licensed marijuana retailer.
- A license may not be issued to a person under 21 yrs of age.
- An applicant must have lawfully resided in state for at least 3 months
- An applicant in corporate form cannot be licensed unless all members are qualified to obtain license.
- LCB may require criminal background checks. (Assume that LCB will.)

We lack sufficient data to estimate the number of marijuana producers and marijuana processors that will apply for a license. Unlike other commodities, there would be no export market for useable marijuana or marijuana-infused products. Production would be solely for in-state consumption. In addition, the yield of useable marijuana per plant is unknown. The small amount of literature on this subject indicates it will vary significantly based on growing method and conditions, but 1 ounce of useable marijuana is the low end of estimates.

Annual consumption - 85,124,498 grams

No. of plants assuming 1oz (28.35 grams) useable marijuana per plant - 3,040,160 plants

No. of sq. ft. required (assuming 1.5 per sq. ft. of growing space per plant) – 4,560,240 sq. ft.

No. of acres (43,560 sq ft in acre) necessary to grow - 104 acres

Therefore, we are assuming 100 marijuana producers and 55 marijuana processors (half of marijuana producers processing own product and five additional processors). No assumption is made for the amount of processors of edible marijuana products because this market is unknown,

Retail Locations and Licenses

The number of retail outlets, and thus retail licenses is determined by LCB in consultation with OFM, taking into account population, security and safety issues, and discouraging purchases from illegal markets. The initiative also caps retail licenses by county. Similar to current law for liquor stores, local governments may object to an application for a retail license and outlets may not be located 1000 ft from school, child care centers, park, transit, library or game arcade. Given the similarities with prior liquor laws, assume 328 retail outlets based on current number and spread of state operated and contracted liquor stores.

Other License Revenue

The initiative provides that LCB can charge fees for anything done or permitted to be done under the rule adopted to

implement and enforce the act. Assume that fees will be charged for activities, such as sampling, testing and labeling that are costs of doing business as a licensee.

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

Disbursements from the Dedicated Marijuana Fund are made by LCB quarterly: See attached table.

Costs

The fiscal impact statement does not estimate state costs or state savings due to social impacts from approval of the initiative.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

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

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.

| Purpose | Section | Amount | Agency |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------------------------|---------|
| DSHS for Healthy Youth Survey | 28(1) | \$ 125,000 | DSHS |
| DSHS to contract with WSIPP for cost-benefit analysis. This disbursement ends September 1, 2032. | 28(2) | \$ 50,000 | DSHS |
| UW Alcohol & Drug Abuse Institute for web-based public education materials | 28(3) | \$ 5,000 | DSHS/UW |
| LCB for administration of act | 28(4) | Not to exceed \$ 1,250,000 | LCB |
| Total Quarterly Off the Top Distributions | | \$ 1,430,000 | |
| Distributions of Remainder | | | |
| DSHS Behavioral Health and Recovery for prevention and reduction of substance abuse | 28(5)(a) | 15.0% | DSHS |
| DOH for marijuana education and public health programs | 28(5)(b) | 10.0% | DOH |
| UW for research on short and long term effects of marijuana use | 28c | 0.60% | UW |
| WSU for research on short and long term effects of marijuana use | 28c | 0.40% | WSU |
| Transfer into basic health plan trust account | 28(d) | 50.0% | HCA |
| HCA for health care contracts with community health centers to provide primary health and ental care, migrant health and maternity health care services. | 28(e) | 5.0% | HCA |
| Building bridges program | 28(f) | 0.30% | OSPI |
| State general fund | 28(g) | Remainder | LCB |

Individual State Agency Fiscal Note

| | | |
|-----------------------------|--------------------------------------------|-----------------------------------------------------|
| Bill Number: 502 XIL | Title: AN ACT Relating to marijuana | Agency: 107-Wash State Health Care Authority |
|-----------------------------|--------------------------------------------|-----------------------------------------------------|

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:

Non-zero but indeterminate cost. Please see discussion.

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: Devon Nichols | Phone: (360) 786-7715 | Date: 02/03/2012 |
| Agency Preparation: Christy Vaughn | Phone: 360 412-4380 | Date: 04/17/2012 |
| Agency Approval: Janice Baumgardt | Phone: 360-725-9817 | Date: 04/17/2012 |
| OFM Review: Adam Aaseby | Phone: 360-902-0539 | Date: 04/18/2012 |

Request # 12-96-2

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.

See attached narrative

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.

See attached narrative.

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.

See attached narrative.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

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

See attached narrative.

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.

See attached narrative.

HCA Fiscal Note

Bill Number: Initiative 502 XIL

An Act Relating to Marijuana

HCA Request #: 12-96-2

Part II: Narrative Explanation

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

Fiscal impact for the Health Care Authority (HCA) is indeterminate, but non-zero.

The proposed initiative would license and regulate marijuana production, distribution, and possession for persons over twenty-one; remove state-law criminal and civil penalties for activities that it authorizes; tax marijuana sales; and earmark marijuana-related revenues.

Section 28 – Establishes the guidelines for quarterly distributions for marijuana excise taxes and license fees collected by the Liquor Control Board (LCB) to other state agencies and institutions. Subsection 5 (d) would provide funding for the Basic Health (BH) program via deposits to the BH Trust account. Subsection 5 (e) would provide funding to HCA for the Community Health Services (CHS) program to provide services exclusively through contracts with community health centers to provide primary health and dental care services, migrant health services, and maternity health care services.

OFM assumes that the collection of revenue would begin in December 2013, but funds would not be available for use until after they are transferred at the end of Q-1 CY2014. HCA assumes that appropriations and expenditure authority provided for the affected programs via the biennial budget process would include the funds provided by this initiative.

II. B – Cash Receipts Impact

LCB projects total distributions to the two affected HCA programs for FY2014-FY2018 as follows:

- State Basic Health Plan Trust Account - \$1.019 Billion
- WA State Health Care Authority (CHS) - \$101.89 Million

| Cash Receipts | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 |
|---------------------------------------|------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Dedicated Marijuana Fund - CHS Grants | | 12,217,412 | 21,424,050 | 22,074,627 | 22,744,746 | 23,434,916 |
| Basic Health Plan Trust Account | - | 122,174,119 | 214,240,500 | 220,746,270 | 227,447,548 | 234,349,156 |
| Total | - | 134,391,531 | 235,664,550 | 242,820,897 | 250,192,294 | 257,784,072 |

Assuming a 10% increase in consumption, receipts are projected as:

- State Basic Health Plan Trust Account - \$1.087 Billion
- WA State Health Care Authority (CHS) - \$108.77 Million

| Cash Receipts | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 |
|---------------------------------------|------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Dedicated Marijuana Fund - CHS Grants | | 12,942,203 | 22,895,375 | 23,590,092 | 24,302,620 | 25,042,569 |
| Basic Health Plan Trust Account | - | 129,422,025 | 228,953,750 | 235,900,918 | 243,056,199 | 250,425,688 |
| Total | - | 142,364,228 | 251,849,125 | 259,491,010 | 267,358,819 | 275,468,257 |

II. C - Expenditures

CHS Assumptions:

The Community Health Services (CHS) grant program is not funded in the current biennium. In FY2010, which was the last year the program was fully funded, the grant funding was \$10.8

HCA Fiscal Note

Bill Number: Initiative 502 XIL

An Act Relating to Marijuana

HCA Request #: 12-96-2

million. The unduplicated number of Medical and Dental sliding fee patients (at or below 200% FPL) and Migrant patients served during that one year period was reported as 307,430.

LCB projects a total of \$101.89 to \$108.77 million would be distributed to HCA for the CHS program over the five year period of FY2014-FY2018. Assuming that the grant distribution process and the cost per patient served are comparable to the FY2010 experience, the funding projected by LCB could provide services to up to 600,000 patients per year. Assuming that the administrative cost would be similar to the previous CHS program, HCA estimates the administrative cost would represent approximately four to five percent of the total available funds.

Baseline:

| CHS Cost Distribution | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 |
|---------------------------|------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Grants, Benefits Services | - | 11,667,628 | 20,459,968 | 21,081,269 | 21,721,232 | 22,380,345 |
| Administrative Costs | | 549,784 | 964,082 | 993,358 | 1,023,514 | 1,054,571 |
| Total | - | 12,217,412 | 21,424,050 | 22,074,627 | 22,744,746 | 23,434,916 |

10% Increase:

| CHS Cost Distribution | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 |
|---------------------------|------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Grants, Benefits Services | - | 12,359,804 | 21,865,083 | 22,528,538 | 23,209,002 | 23,915,653 |
| Administrative Costs | | 582,399 | 1,030,292 | 1,061,554 | 1,093,618 | 1,126,916 |
| Total | - | 12,942,203 | 22,895,375 | 23,590,092 | 24,302,620 | 25,042,569 |

BH Assumptions:

The HCA assumes the substantive provisions of the Affordable Care Act will be in place as anticipated starting January 1, 2014.

The BH program currently operates under a transitional bridge waiver and the waiver assumes BH operations will cease effective January 1, 2014 as the program must help transition current enrollees to new insurance affordability programs that they might be eligible for, including an expanded Medicaid program and the Health Benefit Exchange.

- **Funding provided as a result of I-502 to support the BH program would not become available until after operations are to cease.**

Once the federal waiver was granted, the legislature took additional action and limited enrollment in BH to those that are transition eligible and a few specially designated populations that may still draw upon state-only funds, such as Foster Parents, by amending RCW 70.47.

- In addition, under *Unthaksinkun v. Porter*, BH has been required to continue coverage for affected non-transition-eligible enrollees with state-only funds, most of whom are likely not to be transition eligible in 2014. Members of the class action lawsuit are unlikely to have any other viable options for coverage starting in 2014.

The HCA assumes that without any statutory changes concerning coverage for populations who are not transition eligible, only a small segment of the current BH population could benefit from

HCA Fiscal Note

Bill Number: Initiative 502 XIL

An Act Relating to Marijuana

HCA Request #: 12-96-2

these funds. In addition, HCA assumes that the federal funding provided by the waiver would end once the current population is transitioned to Medicaid and other programs.

LCB projects a total of \$1.019 to \$1.087 billion would be distributed to the BH Trust Account over the five year period of FY2014-FY2018. If the BH program could allow new enrollment and continue enrollment of the populations who would not be eligible to transition into the expanded Medicaid program, HCA assumes it could cover a five-year average of up to 83,000 enrollees with the funding. This estimate assumes that the cost per member per month for the covered population would be comparable to the current cost of a typical BH member.

Assuming that the administrative cost would be similar to the current BH program, HCA estimates the administrative cost would represent approximately four to five percent of the total available funds. BH currently collects a monthly premium share from the members. HCA assumes that members would continue to contribute toward the cost of their coverage, but the member share revenue and expenditures are not included in the estimates below.

Baseline:

| BH Enrollment Estimate | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 |
|-----------------------------|------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Average Subsidy PMPM | | \$210 | \$220 | \$230 | \$240 | \$255 |
| Average Enrollment | | 92,600 | 77,500 | 76,380 | 75,400 | 73,100 |
| BH Cost Distribution | | | | | | |
| Grants, Benefits Services | - | 116,676,284 | 204,599,678 | 210,812,688 | 217,212,322 | 223,803,444 |
| Administrative Costs | - | 5,497,835 | 9,640,823 | 9,933,582 | 10,235,136 | 10,545,712 |
| Total | - | 122,174,119 | 214,240,500 | 220,746,270 | 227,447,458 | 234,349,156 |

10% Increase:

| BH Enrollment Estimate | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 |
|-----------------------------|------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Average Subsidy PMPM | | \$210 | \$220 | \$230 | \$240 | \$255 |
| Average Enrollment | | 98,000 | 82,800 | 81,600 | 80,600 | 78,200 |
| BH Cost Distribution | | | | | | |
| Grants, Benefits Services | - | 123,598,034 | 218,650,831 | 225,285,377 | 232,118,670 | 239,156,532 |
| Administrative Costs | - | 5,823,991 | 10,302,919 | 10,615,541 | 10,937,529 | 11,269,156 |
| Total | - | 129,422,025 | 228,953,750 | 235,900,918 | 243,056,199 | 250,425,688 |

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

Yes.

Individual State Agency Fiscal Note

Revised

| | | |
|-----------------------------|--------------------------------------------|------------------------------------------------------|
| Bill Number: 502 XIL | Title: AN ACT Relating to marijuana | Agency: 110-Office of Administrative Hearings |
|-----------------------------|--------------------------------------------|------------------------------------------------------|

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:

| Account | FY 2012 | FY 2013 | 2011-13 | 2013-15 | 2015-17 |
|-------------------------------------------------------|---------|---------|---------|---------|---------|
| 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:

Non-zero but indeterminate cost. Please see discussion.

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: Devon Nichols | Phone: (360) 786-7715 | Date: 02/03/2012 |
| Agency Preparation: Jane Habegger | Phone: 360-753-4625 | Date: 05/21/2012 |
| Agency Approval: Virgil Sweeney | Phone: 360-586-4949 | Date: 05/21/2012 |
| OFM Review: Diamatris Winston | Phone: (360) 902-7657 | Date: 05/22/2012 |

Request # 1502-2-2

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.

Initiative 502 would decriminalize the use of marijuana. If enacted, it would require the Washington State Liquor Control Board (LCB) to license and regulate:

- Producers of marijuana
- Processors of marijuana, and
- Retailers who sell marijuana.

This will increase LCB activity related to licensing and regulation which, in turn, increases the number of administrative hearings held with LCB as a party.

Section 6(2)(c) of the Initiative provides that the LCB may request the appointment of an Administrative Law Judge, employed by the Washington State Office of Administrative Hearings (OAH) to preside at hearings related to the denial, suspension and revocation of a producer, processor or retailer license.

In FY 2010 OAH received 103 appeals from decisions of the LCB. These hearing requests involved both LCB licensing decisions, as well as enforcement decisions of the LCB. OAH anticipates an additional 12 hearings per year due to this Initiative.

Fiscal impacts from this bill pertain to the cost of administering those hearings. A like dollar amount should be added to the LCB authorized level for central services performed by OAH.

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 central service allocation for administrative hearings would have to be increase by \$9,600 per year beginning in Fiscal Year 2014.

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.

Some other costs will be incurred for this work activity. Total estimated need is \$9,600 per year beginning in FY2014.

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

Non-zero but indeterminate cost. Please see discussion.

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.

Department of Revenue Fiscal Note

Revised

| | | |
|-----------------------------|--------------------------------------------|------------------------------------------|
| Bill Number: 502 XIL | Title: AN ACT Relating to marijuana | Agency: 140-Department of Revenue |
|-----------------------------|--------------------------------------------|------------------------------------------|

Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Indeterminate Impact

Estimated Expenditures from:

Indeterminate Impact

Estimated Capital Budget Impact:

Non-zero but indeterminate cost. Please see discussion.

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: Devon Nichols | Phone: (360) 786-7715 | Date: 02/03/2012 |
| Agency Preparation: Steve Smith | Phone: 360-534-1518 | Date: 03/21/2012 |
| Agency Approval: Don Gutmann | Phone: 360-534-1510 | Date: 03/21/2012 |
| OFM Review: Cherie Berthon | Phone: 360-902-0659 | Date: 03/22/2012 |

Request # 0502-2-6

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 expenditure impacts, and supersedes fiscal note number 0502-1.

Initiative 502 would allow adults, age 21 and over, to purchase small amounts of marijuana for their personal use. The amounts allowed would be:

- One ounce of useable marijuana, or
- Sixteen ounces of marijuana-infused product in a solid form, or
- Seventy-two ounces of marijuana-infused products in liquid form.

The legal marijuana market in Washington would be tightly regulated by the State Liquor Control Board (LCB). The LCB's oversight authority would include rule making, licensing, inspection of equipment and records, prescribing methods of producing, processing, and packaging marijuana, and regulating marijuana advertising and product testing.

The marijuana will be sold to consumers exclusively by privately owned and operated, licensed retail outlets who may sell only marijuana, marijuana-infused products, and related products that are for using and storing marijuana. Retailers may only sell marijuana produced by LCB licensed producers (growers) and processed by LCB licensed processors. Processors must purchase marijuana from licensed Washington producers, and retailers must purchase marijuana from Washington licensed producers or processors. Neither producers nor processors may have an ownership interest in licensed marijuana retailers.

Initiative 502 also levies a new marijuana excise tax equal to twenty-five percent of the selling price on each producer, processor, and retailer. The marijuana excise tax will be administered by the LCB.

As with other tangible personal property, general state and local sales and use taxes, and business and occupation (B&O) taxes, will also apply to the sale of marijuana and marijuana-infused products. The Department of Revenue (Department) administers these general excise taxes.

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

- Processors will sell 85.1 to 93.6 million grams per year at an average price, excluding taxes, of \$6 per gram.
- Retailers will sell 85.1 to 93.6 million grams per year at an average price, excluding taxes, of \$12 per gram.
- Producers (growers) are assumed to sell 42.6 to 46.8 million grams, that they do not process themselves, at an average price of \$3 per gram; they process the remaining 50 percent themselves (42.6 to 46.8 million grams).
- The first month of legal marijuana activity will be in December 1, 2013.
- Consumption will grow at three percent per year thereafter.

REVENUE ESTIMATES

Estimated revenues are indeterminate. The indeterminate nature of the revenue estimate is due to:

- Significant uncertainty concerning federal statutes that consider marijuana an illegal substance;
- The initiative's closed and highly regulated market structure, which is unlike other markets; and
- The lack of tangible data with which to estimate state and local revenues.

Given the above assumptions the attached table shows the revenue impact by fiscal year. The revenue impacts are shown using current or baseline consumption assumptions and with an assumed 10 percent increase in consumption.

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

ASSUMPTIONS:

Expenditures for this estimate are indeterminate, but given the assumptions below potential administrative costs are estimated as follows:

Expenditures assume 550 taxpayers (not including consumers) will be affected by this proposal. It is also assumed that the Business Licensing System (BLS) will collect information and fees for the issuance and renewal of marijuana processor, producer, and retailer licenses on behalf of the Liquor Control Board.

FIRST YEAR COSTS (Fiscal Year 2013):

The Department will incur costs of \$8,000. These costs include:

- Labor Costs - Time and effort equates to 0.1 FTEs.
 - Additional staff to work with taxpayers to amend returns, prepare refunds and issue assessments.
- Object Costs - \$400.
 - Printing and postage for a special notice sent to affected taxpayers.

SECOND YEAR COSTS (Fiscal Year 2014):

The Department will incur costs of \$60,800. These costs include:

- Labor Costs - Time and effort equates to 0.6 FTEs.
 - Programming and testing system changes to the BLS.
 - Answer additional taxpayer questions, amend returns, prepare refunds and issue assessments.

ONGOING COSTS:

Ongoing costs for fiscal year 2015 equal \$6,700 and include similar activities described in the second year costs. Time and effort equates to 0.1 FTEs.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

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

Non-zero but indeterminate cost. Please see discussion.

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.

Revenue Impacts of Initiative 502

| Baseline | FY 12 | FY 13 | FY14(6 months) | FY 15 | FY 16 | FY 17 |
|------------------------|-------|-------|----------------|--------------|--------------|---------------|
| B&O | | | \$ 4,687,000 | \$ 9,656,000 | \$ 9,945,000 | \$ 10,244,000 |
| Retail Sales Tax | | | 42,731,000 | 88,026,000 | 90,666,000 | 93,386,000 |
| Local Retail Sales Tax | | | 15,856,000 | 32,664,000 | 33,644,000 | 34,653,000 |

| 10% Increase | FY 12 | FY 13 | FY14(6 months) | FY 15 | FY 16 | FY 17 |
|------------------------|-------|-------|----------------|---------------|---------------|---------------|
| B&O | | | \$ 5,155,000 | \$ 10,620,000 | \$ 10,939,000 | \$ 11,267,000 |
| Retail Sales Tax | | | 46,999,000 | 96,818,000 | 99,722,000 | 102,714,000 |
| Local Retail Sales Tax | | | 17,440,000 | 35,927,000 | 37,005,000 | 38,115,000 |

Individual State Agency Fiscal Note

| | | |
|-----------------------------|--------------------------------------------|-----------------------------------------|
| Bill Number: 502 XIL | Title: AN ACT Relating to marijuana | Agency: 195-Liquor Control Board |
|-----------------------------|--------------------------------------------|-----------------------------------------|

Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.

Estimated Expenditures from:

| | FY 2012 | FY 2013 | 2011-13 | 2013-15 | 2015-17 |
|-----------------------------------------|---------|---------|---------|-----------|-----------|
| FTE Staff Years | 0.0 | 1.2 | 0.6 | 33.8 | 36.0 |
| Account | | | | | |
| Liquor Revolving Account-State 501-1 | 0 | 683,600 | 683,600 | 632,700 | 0 |
| Dedicated Marijuana Fund-State New-1 | 0 | 0 | 0 | 7,103,100 | 5,170,400 |
| Total \$ | 0 | 683,600 | 683,600 | 7,735,800 | 5,170,400 |

Estimated Capital Budget Impact:

Non-zero but indeterminate cost. Please see discussion.

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: Devon Nichols | Phone: (360) 786-7715 | Date: 02/03/2012 |
| Agency Preparation: Colin O'Neill | Phone: (360) 664-1675 | Date: 08/02/2012 |
| Agency Approval: Michael Kashmar | Phone: 360-664-1690 | Date: 08/02/2012 |
| OFM Review: Diamatris Winston | Phone: (360) 902-7657 | Date: 08/02/2012 |

Request # 502-XIL-3-3

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.

As administrators of this new statewide program, the proposed measure authorizes the Liquor Control Board to regulate and tax marijuana for persons twenty-one years of age and older.

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.

Cash receipts for the Liquor Control Board (board) are indeterminate, but non-zero, at this time.

Section 4 - Establishes the marijuana producer, processor, and retail license. The application fee for each license shall be \$250. The annual fee for each license shall be \$1,000.

Assuming 100 producer licenses, 55 processor licenses, and 328 retail licenses, projected revenue for FY2014-FY2018 from license fees is \$2.3M.

Section 27 -

(1) There is levied and collected a marijuana excise tax equal to 25% of the selling price on each wholesale sale by a licensed producer to a licensed processor and is the obligation of the licensed producer.

(2) There is levied and collected a marijuana excise tax equal to 25% of the selling price on each wholesale sale by a licensed processor to a licensed retailer and is the obligation of the licensed processor.

(3) There is levied and collected a marijuana excise tax equal to 25% of the selling price on each retail sale and is the obligation of the licensed retailer.

Assuming a baseline consumption level of 85,100,000 grams per year and one-half of the producers will also serve as processor, projected revenue for FY2014-FY2018 from excise taxes is \$2.0 billion; assuming a 10% increase in consumption, projected revenue for FY2014-FY2018 from excise taxes is \$2.2 billion

Section 28 - Establishes quarterly distributions for marijuana excise taxes and license fees. Using the baseline assumptions from above, total distributions for FY2014-FY2018 would be as follows:

DSHS - Washington Healthy Youth Survey - \$2.37M

DSHS - Washington State Institute for Public Policy - \$950K

UW Alcohol & Drug Abuse Institute - \$95K

WSLCB - \$23.75M

DSHS - Division of Behavioral Health & Recovery - \$305.69M

Dept of Health - \$203.79M

UW - \$12.23M

WSU - \$8.15M

State Basic Health Plan Trust Account - \$1.019billion

WA State Health Care Authority - \$101.89M

Office of the Superintendent of Public Instruction - \$6.11M

General Fund - \$381.09M

Assuming a 10% increase in consumption, distributions would be as follows:

DSHS - Washington Healthy Youth Survey - \$2.37M

DSHS - Washington State Institute for Public Policy - \$950K

UW Alcohol & Drug Abuse Institute - \$95K

WSLCB - \$23.75M

DSHS - Division of Behavioral Health & Recovery - \$326.33M

Dept of Health - \$217.55M

UW - \$13.053M

WSU - \$8.702M

State Basic Health Plan Trust Account - \$1.087billion

WA State Health Care Authority - \$108.77M

Office of the Superintendent of Public Instruction - \$6.53M

General Fund - \$406.82M

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.

With an implementation date of December 1, 2013, new staff costs associated with rulemaking, licensure, and enforcement that are incurred before new revenue from the marijuana excise tax is realized are assumed to be paid for with an appropriation in the Liquor Revolving account.

Finance expenses are for 3 Fiscal Analyst 2's and 2 Auditor 4's beginning Dec 1, 2013.

Board expenses are for a 1 year project Administrative Regulations Analyst (to start Dec 1, 2012), Communications Officer 3 (start Dec 1, 2012) and HRC 3 (start July 1, 2013).

Licensing expenses are for a WMS2, Management Analyst 3, and 2 Program Specialists. In addition, 3 Investigator 2's for the first year (FY 2014), 1 thereafter. 2 Customer Service Specialist 2's the first year, and 1 thereafter. All positions to start July 1st, 2013.

Enforcement expenses (beginning Oct 1, 2013) are for 12 LEO 2's, 4 LEO 3's, 4 LEO 4's (Lieutenants), 2 Administrative Assistant 3's and a WMS 2 (Captain). Training (\$1,120,000 in FY 2014) and testing costs (\$10,000 FY14, \$20,000 each year thereafter) are included as well.

Information Technology expenses are for modifying the system for excise tax collections - \$600,000 in FY 2013, \$1,800,000 in FY 2014.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

| | FY 2012 | FY 2013 | 2011-13 | 2013-15 | 2015-17 |
|--------------------------------------|---------|-----------|-----------|-------------|-------------|
| FTE Staff Years | | 1.2 | 0.6 | 33.8 | 36.0 |
| A-Salaries and Wages | | 60,600 | 60,600 | 3,472,800 | 3,722,600 |
| B-Employee Benefits | | 23,000 | 23,000 | 1,313,000 | 1,407,800 |
| C-Personal Service Contracts | | | | | |
| E-Goods and Services | | 600,000 | 600,000 | 2,920,000 | |
| G-Travel | | | | | |
| J-Capital Outlays | | | | | |
| M-Inter Agency/Fund Transfers | | | | | |
| N-Grants, Benefits & Client Services | | | | | |
| P-Debt Service | | | | | |
| S-Interagency Reimbursements | | | | 30,000 | 40,000 |
| T-Intra-Agency Reimbursements | | | | | |
| 9- | | | | | |
| Total: | \$0 | \$683,600 | \$683,600 | \$7,735,800 | \$5,170,400 |

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 Regulations Analyst | 54,156 | | 0.6 | 0.3 | 0.2 | |
| Administrative Assistant 3 | 40,524 | | | | 1.8 | 2.0 |
| Auditor 4 | 49,056 | | | | 1.6 | 2.0 |
| Communications Officer 3 | 49,692 | | 0.6 | 0.3 | 1.0 | 1.0 |
| Customer Service Specialist 2 | 33,984 | | | | 1.5 | 1.0 |
| Fiscal Analyst 2 | 42,264 | | | | 2.4 | 3.0 |
| HRC 3 | 59,000 | | | | 1.0 | 1.0 |
| Investigator 2 | 47,892 | | | | 2.0 | 1.0 |
| Liquor Enforcement Officer 2 | 51,552 | | | | 10.5 | 12.0 |
| Liquor Enforcement Officer 3 | 58,320 | | | | 3.5 | 4.0 |
| Liquor Enforcement Officer 4 | 61,296 | | | | 3.5 | 4.0 |
| (Lieutenant) | | | | | | |
| Management Analyst 3 | 50,304 | | | | 1.0 | 1.0 |
| Program Specialist 2 | 39,312 | | | | 2.0 | 2.0 |
| WMS 2 - Captain | 70,752 | | | | 0.9 | 1.0 |
| WMS2 | 68,000 | | | | 1.0 | 1.0 |
| Total FTE's | 776,104 | | 1.2 | 0.6 | 33.8 | 36.0 |

III. C - Expenditures By Program (optional)

| Program | FY 2012 | FY 2013 | 2011-13 | 2013-15 | 2015-17 |
|------------------------------|---------|---------|---------|-----------|-----------|
| Board (010) | | 83,600 | 83,600 | 324,400 | 293,200 |
| Finance (020) | | | | 496,600 | 620,800 |
| Licensing (050) | | | | 948,600 | 769,400 |
| Enforcement (060) | | | | 4,166,200 | 3,487,000 |
| Information Technology (070) | | 600,000 | 600,000 | 1,800,000 | |
| Total \$ | | 683,600 | 683,600 | 7,735,800 | 5,170,400 |

Part IV: Capital Budget Impact

Non-zero but indeterminate cost. Please see discussion.

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.

New rules are required to implement the measure

Individual State Agency Fiscal Note

| | | |
|-----------------------------|--------------------------------------------|--------------------------------------------|
| Bill Number: 502 XIL | Title: AN ACT Relating to marijuana | Agency: 225-Washington State Patrol |
|-----------------------------|--------------------------------------------|--------------------------------------------|

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:

Non-zero but indeterminate cost. Please see discussion.

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: Devon Nichols | Phone: (360) 786-7715 | Date: 02/03/2012 |
| Agency Preparation: Melissa Stricklett | Phone: 360-596-4072 | Date: 02/29/2012 |
| Agency Approval: Heidi Thomsen | Phone: (360) 596-4046 | Date: 02/29/2012 |
| OFM Review: Alyson Cummings | Phone: 360-902-0576 | Date: 02/29/2012 |

Request # 0059-3

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.

This bill legalizes marijuana for everyone 21 years of age and older. Marijuana, 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 marijuana. Marijuana and related products of all kinds could be produced with a license and would be classified in consultation with the Department of Agriculture (DOA). Marijuana would be packaged with detailed information like that found on a liquor bottle. Possession of non-taxed marijuana would be illegal.

The LCB would have regulatory authority over the sales of marijuana. Those under 21 in possession would be subject to a class C felony.

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

Initiative 502 removes marijuana from being classified as a controlled substance – which is currently classified in Schedule I, II, or III and those found in possession are guilty of a class C felony. Possession of this drug and all its derivatives that do not exceed the maximum amounts established by the LCB shall not constitute criminal or civil offenses under Washington state law.

Section 10 states the state liquor control board must adopt rules by December 1, 2013 for licensing, the maximum number of retail outlets in each county, maximum quantity of marijuana, useable marijuana, and marijuana-infused products allowed on the premises. They will also determine the nature, form, and capacity of all containers used.

Sections 15, 16 and 17 address the maximum amount allowed on the premises or the retail outlet, amount sold to any person over 21 years or older and packaging and delivery of marijuana.

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.

The Liquor Control Board (LCB) estimates 483 new criminal background checks will be conducted each year as part of the licensing process. We assume that the impact begins in FY 2014 and that the impact during the first year is for a full year as people get licensed before the effective date provided in the assumptions.

It is unknown what kind of background check would be conducted, including whether there will be a federal check through the Federal Bureau of Investigation (FBI). The language in the legislation might not meet federal requirements to be run through the FBI system.

The revenue impact to WSP would range from an additional \$4,830 a year if the checks are simply name/DOB checks, to \$13,524 if they are fingerprint-based checks submitted on paper and including a federal submittal. The fees would be

deposited into the Fingerprint Identification Account. The calculations under three scenarios are:

Name/DOB: $483 \times \$10 = \$4,830$ a year

Fingerprint-based electronic submission: $483 \times \$16 = \$7,728$ a year

Fingerprint-based paper submission: $483 \times \$26 = \$12,558$ a year

If there is a federal fingerprint-based check, there is an additional \$16.50 federal charge, of which \$14.50 is passed to the FBI, and the \$2.00 is retained by the WSP as revenue to the Fingerprint Identification Account, thereby adding $483 \times \$2 = \966 annual revenue added to the second and third scenario listed above.

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 marijuana will have an impact on DUIs and enforcement. Estimates provided below outline the potential costs related to this bill. With an increase of DUIs the State Patrol would expect an increase in workload and expenses including but not limited to: professional staff to type warrants, Property and Evidence Custodians to include possible expansion of evidence storage and the cost of drawing blood samples (average \$50 per sample). Also, if this initiative passes all officers will need additional training, specifically Advanced Cannabis training detailed below.

Licensed producers and processors must submit representative samples for which WSP assumes that we will not be doing the testing. If we are requested to process a sample, the cost would be approximately \$97.23 per test.

There is a potential decrease in arrests for possession of marijuana. However, there is still the possibility for arrests because there will be a maximum amount allowable on a person. The potential decrease in arrests is indeterminate. The estimated hourly savings for a trooper would be \$41.18 per hour.

There is a possibility for increases in DUIs, however the number is indeterminate. The estimated hourly cost per trooper is \$41.18 per hour. Each arrest could increase the processing time by two or more hours due to drawing blood as well as evidence handling procedures.

All officers would need Advanced Cannabis training with the passage of this bill. Currently, our troopers are trained at the Washington State Patrol Academy and receive a Drug Impaired Driving (DID) course during the basic cadet class. This training would focus on cannabis impairment, signs, symptoms, and identifiers. In our Commercial Vehicle Division there are 127 Commercial Vehicle Enforcement Officers (CVEOs) and 68 Commercial Vehicle Division Troopers (CVD) that will need the Advanced Cannabis training. Currently the CVEOs receive a modified four hour version of the DID training. The Advanced Cannabis training will need to be included in the yearly Trooper and CVEO Trimester training (decentralized training) and would be one hour long. A DRE instructor would travel around the state and train the 75 DRE instructors on the new training material. These classes would cost approximately \$8,800 for one DRE instructor to travel around the state and train 75 DRE instructors. This amount includes 12 hours of preparation time and per diem charges. The DREs would then conduct the training in their respective areas. There would be 50 classes consisting of 20 FTEs for three hours of training. This would also require 2,754 trooper and CVEO hours per year that they would be off the road and not handling calls for service or contacting commercial vehicles.

With the possibility of increasing DUIs involving marijuana, we would need to increase the number of Drug Recognition Experts (DREs). This class is three weeks of training with a class size of 15 at a cost of approximately \$40,000 per class. To certify all troopers, it would cost approximately \$2,109,000.

The Toxicology Laboratory Division (Tox Lab) anticipates the impact of I-502 to be less than \$50,000 per year. This cost estimate is based on the assumption that there will be a slight to moderate increase in the number of DUI cases tested for Cannabis. The testing of an additional 500 cases per year for Cannabis products (THC and its metabolite, carboxy-THC) would cost an estimated \$25,000 in FY 2013.

The Tox Lab will be unable to fully comply with two provisions of this initiative if it becomes law. The first is with regard to the requirement in Section 31 for measurement of THC concentrations for persons under the age of 21. The Tox Lab cannot measure as low as the proposed 0.00 nanograms per milliliter THC concentration in the blood. The current cutoff/threshold for reporting THC in the blood of any subject is 1ng/mL. This is the threshold that the Tox Lab will be able to report for persons under the age of 21.

The second provision where we cannot comply with the initiative is with regard to Section 33. The Tox Lab is unable to perform the function proposed whereby a THC concentration in blood collected more than two hours following the incident can be extrapolated to an estimated concentration at the time of driving. There is currently no scientific basis for performing retrograde extrapolation of a blood THC result. The Tox Lab will report the THC concentration in nanograms per milliliter in the blood at the time the sample is obtained.

WSP's Identification Section estimates the workload impact from background checks would range from the equivalent of 0.01 FTEs a year, if the checks are simply name/DOB checks, to 0.15 FTEs if they are fingerprint-based checks submitted on paper. This workload impact would begin in FY2014, corresponding with the beginning of licensing activity. These are the estimated dollar values of the impacts under three scenarios:

Name/DOB: \$1,010 in FY 2014 and \$890 per fiscal year thereafter

Fingerprint-based electronic submission: \$7,320 in FY 2014 and \$6,430 per fiscal year thereafter

Fingerprint-based paper submission: \$15,680 in FY 2014 and \$13,770 per fiscal year thereafter

These estimated costs include salaries and benefits, in addition to goods and services, travel and equipment based on our rule of thumb costs per FTE, which are derived from historical expenditures. It also includes our indirect cost rate. WSP's federal indirect cost rate beginning in FY 2013 is 31.14 percent. This rate is calculated on all categories of expenditures except capitalized equipment and is to cover support costs associated with this proposed bill. Support costs include items such as computer and telecommunications support, processing payroll and vendor payments, administering contracts, ordering, accounting for and distribution of supplies, and human resource services.

For this biennium the State Patrol receives \$1.8M in federal funds to support drug task forces for marijuana enforcement efforts. These funds include pass through grants for county and city task forces throughout the state.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

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

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.

No new rules would need to be adopted upon passage of the proposed legislation.

Individual State Agency Fiscal Note

| | | |
|-----------------------------|--------------------------------------------|------------------------------------------------------|
| Bill Number: 502 XIL | Title: AN ACT Relating to marijuana | Agency: 227-Wa St Criminal Justice Train Comm |
|-----------------------------|--------------------------------------------|------------------------------------------------------|

Part I: Estimates

No Fiscal Impact

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: Devon Nichols | Phone: (360) 786-7715 | Date: 02/03/2012 |
| Agency Preparation: Brian Elliott | Phone: 360-486-2436 | Date: 03/02/2012 |
| Agency Approval: Brian Elliott | Phone: 360-486-2436 | Date: 03/02/2012 |
| OFM Review: Alyson Cummings | Phone: 360-902-0576 | Date: 03/02/2012 |

Request # 2012-13-3

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.

There is no fiscal impact to the Criminal Justice Training Commission (CJTC) from this act. The CJTC anticipates the estimated three or fewer hours of additional training relating to drug recognition can be incorporated into the existing Standardized Field Sobriety Testing training provided to recruits while attending the Basic Law Enforcement Academy. This training is provided by Washington State Patrol troopers, who are drug recognition experts, through interagency agreements to provide instruction for the CJTC.

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

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

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: 502 XIL | Title: AN ACT Relating to marijuana | Agency: 240-Department of Licensing |
|-----------------------------|--------------------------------------------|--------------------------------------------|

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:

Non-zero but indeterminate cost. Please see discussion.

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: Devon Nichols | Phone: (360) 786-7715 | Date: 02/03/2012 |
| Agency Preparation: Don Arlow | Phone: (360) 902-3736 | Date: 05/21/2012 |
| Agency Approval: Sam Knutson | Phone: (360) 902-3644 | Date: 05/21/2012 |
| OFM Review: Jim Albert | Phone: (360) 902-0419 | Date: 05/21/2012 |

Request # 502 XIL-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.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

Non-zero but indeterminate cost. Please see discussion.

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.

Part II: Explanation

This initiative authorizes the Washington State Liquor Control Board (LCB) to regulate and tax marijuana for persons twenty-one years of age and older, and adds a new threshold for driving under the influence of marijuana.

The fiscal impacts of this initiative are indeterminate. For purposes of this fiscal note the department will show a range of estimated cash receipts and expenditures based on a baseline assumption of current marijuana consumption, and a ten percent increase in consumption from the baseline.

II. A – Brief Description of What the Measure Does that Has Fiscal Impact

Section 3 adds a new section to chapter 46.04 RCW to define “THC concentration” for purposes of Title 46 RCW.

Section 31 amends RCW 46.20.308 to add presumptive levels of THC concentration for purposes of administrative license suspension/revocation based on an arrest for driving under the influence.

Section 32 amends RCW 46.20.3101 to provide for license suspensions and revocations when a driver is arrested with a THC concentration above the presumptive levels.

Section 33 amends RCW 46.61.502 to add a presumptive level of THC concentration for purposes of DUI.

Section 35 amends RCW 46.61.504 to add a presumptive level of THC concentration for purposes of physical control of a motor vehicle while under the influence.

Section 37 amends RCW 46.61.506 to include provisions for blood tests to determine THC concentration.

II. B – Cash Receipt Impact

This initiative will have an impact on cash receipts. Department data indicate that four percent of DUI activity is drug related. For the purposes of this analysis, all drug related activity is assumed to be marijuana. Although criminal conviction of DUI for drug-related offenses currently results in a driver’s license suspension or revocation, there is no provision for administrative suspension or revocation under the department’s civil administrative adjudication of DUI because no presumptive level of intoxication for THC exists in current law. Section 31 adds presumptive levels of intoxication for THC in a person’s blood when a driver is arrested for suspicion of DUI (0.0 for drivers under the age of twenty-one, 5.00 nanograms per milliliter of blood for drivers age twenty-one or older). Section 32 adds the requirement that the Department administratively suspend or revoke the driver’s license of a person who tests above the presumptive level of THC. The department is required by law to suspend or revoke the driver’s license for both criminal convictions and administrative adjudications for DUI, so this will, in turn, lead to an estimated increase of four percent in the workload for administrative DUI suspension/revocation hearings. There will be a corresponding four percent increase in DUI reissue fees following license suspension activity, Ignition Interlock Driver’s License (IIL) applications and payments to the Ignition Interlock Device Revolving Account (14V).

The following is a summary of relevant fees and their distribution:

- DUI reissue fees are \$150 with 63 percent (\$94.50) distributed to the Impaired Driver Safety Account (Account 281) and \$55.50 to the Highway Safety Fund (Account 106).
- Hearing fees are \$375 (following the passage of ESSB 6150) with the revenue going to the Highway Safety Account (Account 106).
- Ignition Interlock Driver’s License applications are \$100 with the revenue going to the Highway Safety Account (Account 106).

- Those that are compliant with an Ignition Interlock Device (IID) requirement pay a monthly fee of \$20 with the revenue going to the Ignition Interlock Device Revolving account (14V), unless there is a determination of indigence.

Table 1 illustrates the estimated baseline cash receipts impact of this initiative:

Table 1

| Cash Receipts-Baseline | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Change in Workload | | | | | |
| DUI reissue fees | 512 | 866 | 874 | 881 | 887 |
| IIL applications | 287 | 497 | 501 | 505 | 509 |
| Administrative hearings | 238 | 419 | 419 | 419 | 419 |
| IID compliance | 1,495 | 2,403 | 2,430 | 2,457 | 2,484 |
| Fees | | | | | |
| DUI reissue fees | \$150 | \$150 | \$150 | \$150 | \$150 |
| IIL applications | \$100 | \$100 | \$100 | \$100 | \$100 |
| Administrative hearings | \$375 | \$375 | \$375 | \$375 | \$375 |
| IID compliance | \$240 | \$240 | \$240 | \$240 | \$240 |
| Cash receipts impact | | | | | |
| DUI reissue fees | \$76,800 | \$129,900 | \$131,100 | \$132,150 | \$133,050 |
| IIL applications | \$28,700 | \$49,700 | \$50,100 | \$50,500 | \$50,900 |
| Administrative hearings | \$89,250 | \$157,125 | \$157,125 | \$157,125 | \$157,125 |
| IID compliance | \$358,800 | \$576,720 | \$583,200 | \$589,680 | \$596,160 |

The department also estimated the cash receipts impact if consumption of marijuana increased by ten percent beyond the baseline. Table 2 illustrates the estimated cash receipts if usage increases by ten percent:

Table 2

| Cash Receipts-Baseline+10% | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Change in Workload | | | | | |
| DUI reissue fees | 563 | 952 | 961 | 969 | 976 |
| IIL applications | 315 | 547 | 552 | 556 | 559 |
| Administrative hearings | 262 | 460 | 460 | 460 | 460 |
| IID compliance | 1,645 | 2,643 | 2,673 | 2,702 | 2,732 |
| Fees | | | | | |
| DUI reissue fees | \$150 | \$150 | \$150 | \$150 | \$150 |
| IIL applications | \$100 | \$100 | \$100 | \$100 | \$100 |
| Administrative hearings | \$375 | \$375 | \$375 | \$375 | \$375 |
| IID compliance | \$240 | \$240 | \$240 | \$240 | \$240 |
| Cash receipts impact | | | | | |
| DUI reissue fees | \$84,450 | \$142,800 | \$144,150 | \$145,350 | \$146,400 |
| IIL applications | \$31,500 | \$54,700 | \$55,200 | \$55,600 | \$55,900 |
| Administrative hearings | \$98,250 | \$172,500 | \$172,500 | \$172,500 | \$172,500 |
| IID compliance | \$394,800 | \$634,320 | \$641,520 | \$648,480 | \$655,680 |

Part III: Expenditures

This initiative will have an impact on expenditures. Similar to the analysis of cash receipts impacts, the department considered workload changes with baseline marijuana usage, and workload changes with baseline usage plus a ten percent increase in usage.

Both scenarios will require modifications to the department's information technology systems. These modifications will require ten months of contracted programmer time at \$15,660 per month. Ten percent contingency funding has been added. This will be a one-time expense.

There are workload increases expected in both scenarios. For the baseline analysis, Table 1 illustrates the expected increase in IIL applications and DUI administrative hearings. A Customer Service Specialist 2 can process an IIL application in 15 minutes. A Hearings Examiner 2 can process 63 hearings events per month. The total FTE increase is approximately 0.6 FTE between the two job classes, and would cost \$59,400 per year once the initiative is fully implemented. These costs would be ongoing.

Table 2 illustrates the expected increase in IIL applications and DUI administrative hearings when a ten percent increase in marijuana usage is assumed. The total FTE increase is approximately 0.7 FTE between the two job classes, and would cost \$65,200 per year once the initiative is fully implemented. These costs would also be ongoing.

Part IV: Capital Budget Impact

None

Part V: New Rule Making Required

Adoption of this initiative will require revisions to Chapter 308-103 WAC. There are no expenditures associated these revisions.

Individual State Agency Fiscal Note

| | | |
|-----------------------------|--------------------------------------------|-------------------------------------------------------|
| Bill Number: 502 XIL | Title: AN ACT Relating to marijuana | Agency: 300-Dept of Social and Health Services |
|-----------------------------|--------------------------------------------|-------------------------------------------------------|

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:

Non-zero but indeterminate cost. Please see discussion.

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: Devon Nichols | Phone: (360) 786-7715 | Date: 02/03/2012 |
| Agency Preparation: Edward Giger | Phone: 360-902-8067 | Date: 05/24/2012 |
| Agency Approval: Dan Winkley | Phone: 360-902-8179 | Date: 05/24/2012 |
| OFM Review: Monica Jenkins | Phone: (360) 902-0561 | Date: 05/24/2012 |

Request # 12XIL502R1-3

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.

Section 26 creates a dedicated marijuana fund.

Section 27 sets amount of tax to be collected on the growing, production and sale of marijuana.

Section 28 sets the distribution of funds from the dedicated marijuana fund by the Liquor Control Board.

Section 28 (1) states that the Department of Social and Health Services (DSHS) will receive \$125,000 every three months to design and administer a healthy youth survey with the Department of Health, Department of Commerce, Family Policy Council and State Liquor Control Board.

Section 28 (2) states that DSHS will receive \$50,000 every three months to contract with the Washington State Institute for Public Policy for a cost-benefit evaluation and reports from the description in Section 30 of the Initiative.

Section 28 (5)(a) states that DSHS, Division of Behavioral Health and Recovery (DBHR) will receive 15 percent of the remaining funds for implementation and maintenance of programs and practices aimed at the prevention of substance abuse. 85 percent of these funds must be used on evidence based and cost beneficial programs and practices that produce measureable results. The remaining 15 percent of these funds may be used for research based and emerging best or promising practices.

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 impact of the Initiative is indeterminate, but it is estimated that the Initiative would provide the Department of Social and Health Services (DSHS), Division of Behavioral Health and Recovery (DBHR) with between \$37,177,000 and \$39,352,000 in Fiscal Year 2014 and between \$64,772,000 and \$69,386,000 in Fiscal Year 2015 and increasing each following fiscal year. The youth survey funding accounts for \$125,000 per quarter and the funding for the contract with the Institute of Public Policy accounts for \$50,000 per quarter. The remainder of the funding comes from the 15 percent of the remaining funding for prevention and maintenance of programs to reduce substance abuse.

The sales and revenue estimates were provided by the Liquor Control Board (LCB). DSHS used the LCB estimates and the Initiative language to develop the estimate for expenditures related to Initiative 502 (I-502).

DSHS, DBHR expects to spend the above indicated dollars to enhance delivery of evidence-based practices for marijuana prevention, intervention, treatment, and recovery support. To the extent possible, the existing substance abuse prevention and treatment infrastructure will be used. Revenue will be spent in 3 programmatic areas as well as support

for these 3 areas. Those areas are Prevention, Early Intervention and Treatment. Approximately half of the dollars will be spent on Treatment, specifically youth treatment. The other half of the dollars will be split between Prevention and Early Treatment services. With a majority of the funding centered towards Prevention Redesign Initiative (PRI) communities. Components of the PRI model include a community coalition comprised of representatives from multiple sectors relevant to substance abuse prevention and the related consequences; staffing for that coalition; implementation of evidence-based practices for substance abuse prevention, and; a Prevention/Intervention Specialist in the schools providing early intervention services.

Additional dollars will go towards Tribes (\$3,000,000), evaluation and reporting (\$2,000,000), and DSHS staff needs (\$1,000,000 and 10 FTEs).

Part III: Expenditure Detail

Part IV: Capital Budget Impact

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

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.

New rules will have to be adopted.

Individual State Agency Fiscal Note

| | | |
|-----------------------------|--------------------------------------------|-----------------------------------------|
| Bill Number: 502 XIL | Title: AN ACT Relating to marijuana | Agency: 303-Department of Health |
|-----------------------------|--------------------------------------------|-----------------------------------------|

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:

Non-zero but indeterminate cost. Please see discussion.

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: Devon Nichols | Phone: (360) 786-7715 | Date: 02/03/2012 |
| Agency Preparation: Stacy May | Phone: 360-236-3927 | Date: 05/24/2012 |
| Agency Approval: Merdan Bazarov | Phone: 360-236-4557 | Date: 05/24/2012 |
| OFM Review: Monica Jenkins | Phone: (360) 902-0561 | Date: 05/24/2012 |

Request # 12-144-2

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.

Section 28 (1): The Department of Health (DOH) is one of five agencies required to collaborate with the Department of Social and Health Services on the design and administration of the Healthy Youth Survey, which shall be conducted at least every two years.

Section 28 (5) (b): After three specific allocations described in this act, ten percent of the remaining revenues collected from sales, license fees, and forfeitures of marijuana shall go to DOH. With these funds, DOH shall create, implement, operate and manage a marijuana education and public health program that contains: (1) a hotline to refer people to treatment, (2) a grants program for local health departments or other local community agencies to fund coordinated intervention strategies, and (3) media campaigns for youth and adults providing information on the health and safety risks posed by marijuana use.

Section 29: Requires DOH to adopt rules necessary to carry out section 28 of this act by December 1, 2013.

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.

Assumptions:

In order to establish a comprehensive marijuana education and public health program (Marijuana Program), DOH will use guidance and best practices from the Centers for Disease Control and Prevention (CDC) and successful experience from DOH's Tobacco Prevention and Control Program (Tobacco Program). Recommendations include a focus on creating community norms that discourage use by youth and abuse by adults, and a program with school, community, health education (media), and evaluation components. DOH recommends a Marijuana Program that is similar to the previous Tobacco Program, established after the Tobacco Master Settlement. For Washington State, CDC recommends \$68 million annually for a full comprehensive program for Tobacco Prevention and Control. \$20 million of CDC's recommendation is for cessation interventions which includes hotline and treatment services/products, such as nicotine replacement therapy. DOH assumes no cost treatment services/products in this fiscal note. In addition, there will be no rulemaking required to implement the Marijuana Program or for the collaboration of the Healthy Youth Survey (section 29 of the initiative).

The Marijuana Program will consist of five components, as explained below. For most components, a range of services and costs is given reflecting minimal program implementation, a full-scale version according to CDC guidelines, and then DOH's recommendation, which is a service level comparable to the previous Tobacco Program. Note that DOH's staffing level remains the same for all options; the variables are all contracted or grant activities.

Section 28:

Program Management

DOH will require the following positions for program operation and support in order to establish a comprehensive marijuana education and public health program as outlined in the initiative: 0.2 FTE Washington Management Services 2, Section Manager, to oversee program strategy, provide high level guidance and direction, and integrate and align with office, division, and agency priorities. 1.0 FTE Health Services Consultant (HSC) 4, Program Manager, to oversee the operations of the program activities and to conduct strategic planning to ensure that the program's effort is consistent with the intent of the initiative. 1.0 FTE Financial Analyst (FA) 3 for fiscal management and oversight of contract implementation. 1.0 FTE Secretary Senior to provide administrative support to the program, including but not limited to meeting arrangements, travel, procurement, and other duties as assigned.

Though CDC's guidelines recommend \$3 million for this component, DOH's costs for program management will be 3.2 FTE and \$590,000 annually, regardless of the scale of other program components.

Marijuana Public Health Hotline

The Department of Social and Health Services (DSHS), Division of Behavioral Health Resources (DBHR), currently operates the Alcohol and Drug Helpline (ADHL) which receives about 700 callers per month and costs \$300,000 per year. When the DBHR was in full operation and promoting the ADHL, the call volume was as high as 2,100 per month. Currently, the ADHL has been serving an increasing number of people within the last few months (1,400 people), of which about 6 percent (about 90 per month) are calling with concerns about marijuana. There is currently no other hotline except for the Tobacco Quitline and ADHL to use as a basis for projecting exactly what the call volumes would be for a Marijuana Public Health Hotline. Therefore, the number of calls for this new hotline is indeterminate, but DOH will spend the funding allocated to implement this hotline for education and referrals to substance abuse treatment for marijuana, coming from both parents of teens who are concerned about their child's use of marijuana, and marijuana users themselves.

Media-Based Education Campaigns

The CDC has guidelines for tobacco prevention that recommend a robust paid media campaign. According to these guidelines, advertisements should reach 75 percent to 85 percent of their target audience each quarter of the year during a media campaign. A campaign should be expected to run at least six months to affect awareness of the issue, 12 to 18 months to have an impact on attitudes, and 18 to 24 months to influence behavior. Because there is no equivalent advertisement campaign for marijuana in the nation to copy, the costs will need to cover advertisement development as well as buying air time.

A recent example of a media campaign is the "Cold Turkey" adult tobacco cessation campaign. The cost to produce the campaign advertisement was \$1.8 million and airing the campaign for 11 weeks cost \$600,000 on television, \$500,000 for radio, and \$200,000 for online. This one advertisement campaign had a total cost of \$3.1 million. A minimal implementation of the initiative would include one advertising campaign similar to the "Cold Turkey." On the other end of

the spectrum, CDC recommends Washington State to spend \$1.44 per person each year. Based on OFM's 2011 population of 6.7 million, this translates to approximately \$9.6 million each year.

DOH recommends the production and airing of two media campaigns for a cost of \$8.2 million annually. One campaign will focus on preventing youth from using marijuana by including scientific facts regarding the public health risks of marijuana use, especially by minors. The other campaign will focus on raising awareness of users to help for those who become addicted by promoting the marijuana treatment hotline and providing information about potential problems associated with marijuana use and how to get help for those problems. DOH will contract for development and air time for these media campaigns to run 28 weeks of advertisement the first year and up to 52 weeks of advertisement each outgoing year. In addition to the paid campaign, a separate contractor will provide outreach to news organizations with scientifically accurate information that promotes prevention of marijuana use by minors. The cost of developing the campaign will occur in the first year, with some air time, then the prolonged air time along with adjustments needed to the campaign messaging in outgoing years will cost about the same amount.

DOH will require 0.8 FTE HSC 3 to manage and oversee the development and implementation of the media contracts and campaigns. An additional \$2,500 each year will be required for travel to meet with media development contractors and meetings with local program staff to coordinate state and local messaging. Costs for media-based education campaigns can range from \$3.1 million to \$9.6 million annually. DOH recommends 0.8 FTE and \$8.2 million annually for media-based education campaigns.

Grants to Local Public Health Departments and Community Agencies

DOH plans to use the regional hub approach implemented for the Community Transformation Grant to work with local public health departments. This will require 2.5 FTE HSC 3 to oversee contracts for five regional hubs and three individual public health departments which conduct community mobilization against underage use and misuse of marijuana will be conducted by the health departments. Funding allocation for the regional hubs will be a base-plus-per-capita formula. The base amount will be determined by the number of counties each hub supports in that region.

In addition to the contracts with regional hubs, DOH will contract with four other types of organization:

- The American Indian Health Commission for Tribes to conduct community mobilization against underage use of and misuse of marijuana
- Five non-profit organizations to organize and serve diverse communities
- An organization specializing in statewide peer-to-peer education interventions in a similar way that TATU (Teens Against Tobacco Use) was done by the American Lung Association
- Nine education service districts that provide evidence-based curriculum delivery and training/technical assistance to create and implement Student Assistance Programs and also provide policy that identifies and refers students with problems using marijuana to professional help.

Cost estimates for minimum implementation of the grants are based on the Tobacco Program's experience with local intervention strategies and with the implementation of regional hubs, and reflect providing intervention strategies statewide through all the contractors listed above. Any funding level below the minimum amount would need to be used exclusively for activities targeted to the highest risk communities and not conducted statewide. The full implementation, CDC's best practices guide, recommends funding at the local level of \$4.51 per person each year. Based on OFM's 2011

population of 6.7 million, this translates to approximately \$30 million per year.

Costs for grants to local public health departments and community agencies to perform the work required in this initiative will range from \$8 million to \$30 million each year. DOH recommends 2.5 FTE and \$13 million each year, based on successful local activities performed by local contractors when the Tobacco Program was fully funded. In addition, \$30,000 each year will be required to cover travel and per diem costs for staff to attend quarterly meetings in eight different regions, and conduct technical training assistance and site visits to contractors.

Assessment and Evaluation

DOH will require 1.0 FTE Epidemiologist 3 to oversee contracts and coordinate assessment and evaluation activities, and 1.0 FTE Epidemiologist 2 to coordinate data and evaluation projects and reports. Remaining funding will be contracted to entities that will provide data collection of information about impact and effectiveness from the media campaign, provide additional support for youth and adult behavior and attitude survey analysis, analyze community program efforts and their impacts, and provide a web-based reporting system for contractors to report their data. An additional \$5,000 each year will be required for travel to provide onsite technical assistance with contractors.

CDC recommends that tobacco prevention and control programs dedicate 10 percent of their total annual budget to assessment and evaluation. Based on the cost ranges for all components of the program, assessment and evaluation activities' costs could range from \$1,369,000 to \$4,599,000 each year. DOH recommends \$2,026,000 annually. This will include DOH's support of DSHS in administering the Healthy Youth Survey (section 28(1) of the initiative).

Total Costs

In total, the costs to implement a Marijuana Program range from \$13.7 million to \$46 million annually. DOH recommends \$24.5 million annually for this work. In FY 2014, costs will include 11.5 FTE and \$15,882,000. In FY 2015 and ongoing, they will be 15.5 FTE and \$24,503,000.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

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

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: 502 XIL | Title: AN ACT Relating to marijuana | Agency: 495-Department of Agriculture |
|-----------------------------|--------------------------------------------|----------------------------------------------|

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:

Non-zero but indeterminate cost. Please see discussion.

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: Devon Nichols | Phone: (360) 786-7715 | Date: 02/03/2012 |
| Agency Preparation: Mary Thygesen | Phone: 360-902-1989 | Date: 03/21/2012 |
| Agency Approval: Mary Thygesen | Phone: 360-902-1989 | Date: 03/21/2012 |
| OFM Review: Garry Austin | Phone: 360-902-0564 | Date: 03/21/2012 |

Request # 12-28-2

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.

Initiative 502 would license and regulate marijuana production, distribution, and possession for persons over twenty-one; remove state-law criminal and civil penalties for activities that it authorizes; tax marijuana sales; and earmark marijuana-related revenues.

Section 11 directs the Liquor Control Board, in consultation with the Department of Agriculture (WSDA), to establish rules for classes of marijuana, useable marijuana, and marijuana infused products according to grade, condition, cannabinoid profile, THC concentration, or other qualitative measurements deemed appropriate by the state liquor control board.

In addition, the Liquor Control Board, in consultation with WSDA, will establish rules for accreditation requirements for testing laboratories used by licensees to demonstrate compliance with the standards adopted and prescribing methods of producing, processing, and packaging marijuana, useable marijuana, and marijuana infused products; conditions of sanitation; and standards of ingredients, quality, and identity of marijuana, useable marijuana, and marijuana infused products produced, processed, packaged, or sold by licensees.

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.

N/A

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 11 directs the Liquor Control Board, in consultation with the Department of Agriculture (WSDA), to establish rules for classes of marijuana, useable marijuana, and marijuana infused products according to grade, condition, cannabinoid profile, THC concentration, or other qualitative measurements deemed appropriate by the state Liquor Control Board.

In addition, the Liquor Control Board in consultation with WSDA, will establish rules for accreditation requirements for testing laboratories used by licensees to demonstrate compliance with the standards adopted and prescribing methods of producing, processing, and packaging marijuana, useable marijuana, and marijuana infused products; conditions of sanitation; and standards of ingredients, quality, and identity of marijuana, useable marijuana, and marijuana infused products produced, processed, packaged, or sold by licensees.

While the total impact is difficult to determine, we anticipate the research and consultation will take place from April 2013-June 2013 and will cost approximately \$26,000.

-174 hours (.08 FTE) - WMS 2 (Food Safety Program Manager). Costs include salary and benefits only.

-260 hours (.13 FTE) - WMS 2 (Chemist). Costs include salary, benefits, and travel from Eastern Washington (6 overnight stays and Motor Pool charges).

These costs will be one-time only costs.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

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

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.

No rule changes anticipated for WSDA.

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

| | |
|-----------------------------|--------------------------------------------|
| Bill Number: 502 XIL | Title: AN ACT Relating to marijuana |
|-----------------------------|--------------------------------------------|

Part I: Jurisdiction

Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- Cities: For potential increases in local tax revenue, and changes in enforcement, prosecution and jail costs
- Counties: Same as above
- Special Districts:
- Specific jurisdictions only:
- Variance occurs due to:

Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option: Jurisdictions may choose to file written comment to LCB on licensing of retail outlets
- Key variables cannot be estimated with certainty at this time: Effect on felony and misdemeanor charges and tax revenue impact

Estimated revenue impacts to:

Indeterminate Impact

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

| | | |
|----------------------------------------|-----------------------|------------------|
| Fiscal Note Analyst: Graham Parrington | Phone: 360-725-5033 | Date: 07/16/2012 |
| Leg. Committee Contact: Devon Nichols | Phone: (360) 786-7715 | Date: 02/03/2012 |
| Agency Approval: Steve Salmi | Phone: (360) 725 5034 | Date: 07/16/2012 |
| OFM Review: Jim Albert | Phone: (360) 902-0419 | Date: 07/16/2012 |

Part IV: Analysis

A. SUMMARY OF BILL

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

Initiative 502 will be submitted to the voters in November of 2012 and would make changes in law related to growing, processing, sale, possession and use of marijuana, related products, and marijuana paraphernalia.

New sections will be codified under Chapter 69.50 RCW.

Section 3 is a new section that would define "THC concentration" as nanograms of delta-9 tetrahydrocannabinol, and would exclude the metabolite THC-COOH, which is also known as carboxy-THC.

Sections 4 thru 18 are new sections describing the process for licensing, operation and taxation of businesses related to the production, possession, delivery, distribution, and sale of marijuana and/or marijuana-infused products (hereafter referred to as "marijuana") in accordance with the provisions of the act and rules adopted to implement and enforce it.

Section 6 is a new section that would require the Liquor Control Board to notify a city, or county if outside city boundaries, before issuing a new or renewed license for producing, processing, or retailing marijuana. The city or county may then submit a written objection of the application within 20 days of such notice.

Section 13 relates to licensing retail outlets and specifies that retail sale of useable marijuana by a validly licensed marijuana retailer shall not be a criminal or civil offense under Washington state law.

Section 15 specifies that "the following acts, when performed by a validly licensed marijuana retailer shall not constitute criminal or civil offenses under Washington state law:

- Purchase and receipt of marijuana that have been properly packaged and labeled
- Possession of quantities of marijuana that do not exceed the maximum amounts established under Section 10 (5) of the act
- Delivery, distribution, and sale at the retail outlet of marijuana to any person twenty-one or older.

Section 16 specifies that the following acts when performed by a validly licensed marijuana processor shall not constitute criminal or civil offenses under Washington state law:

- Purchase and receipt of marijuana that have been properly packaged and labeled
- Possession, processing, packaging, and labeling of quantities of marijuana that do not exceed the maximum amounts established under Section 10 (5) of the act
- Delivery, distribution, and sale of marijuana to a marijuana retailer validly licensed under the act.

Section 17 specifies that the following acts when performed by a validly licensed marijuana producer or employee shall not constitute criminal or civil offenses under Washington state law:

- Production or possession of quantities of marijuana that do not exceed the maximum amounts established under Section 10 (5) of the act
- Delivery, distribution, and sale of marijuana to a marijuana processor or another marijuana producer validly licensed under the act.

Section 19 would amend 69.50.401 RCW to make lawful under Washington state law the production, manufacture, processing, packaging, delivery, distribution, sale, or possession of marijuana pursuant to Sections 15, 16, and 17.

Section 20 would amend 69.50.4013 RCW to remove possession of marijuana, by a person twenty-one or older in amounts that do not exceed those set forth in Section 15 (3) as a violation of this section, this chapter, or any other provision of Washington state law.

Section 21 creates a new section under Chapter 60.50 RCW specifying that it is unlawful to open a package containing marijuana or consume marijuana or marijuana-infused products in view of the general public. A person who violates this section is guilty of a class 3 civil infraction under Chapter 7.80 RCW.

Sections 22 and 23 would amend 69.50.412 and .4121 RCW to exempt marijuana paraphernalia from criminal drug paraphernalia offenses.

Sections 31 thru 35 would amend 46.20.308, 46.61.502, 46.61.503, and 46.61.504 RCW to include a 5 nanogram per milliliter THC concentration threshold for adults over twenty-one, and a 0 nanogram THC concentration threshold for under twenty-one, in the determining factors for license suspension, with alcohol and drugs under the DUI statute, under the DUI/physical control statute (under twenty-one), and under the DUI/physical control statute.

ASSUMPTIONS:

1. RCW 69.50.4014 (Possession of less than 40 grams of Marijuana) is not repealed by this initiative. Based on the following lead agency assumptions, individuals would continue to be subject to criminal prosecution (misdemeanor).

Beginning December 1, 2013 when a legal marijuana market is established, it is assumed that individuals twenty-one years of age or older are also legally authorized to possess and use:

- One ounce of useable marijuana;
- Sixteen ounces of marijuana-infused product in solid form; or
- Seventy-two ounces of marijuana-infused product in liquid form.
- Marijuana-related drug paraphernalia

It is assumed that individuals would continue to be subject to criminal prosecution (misdemeanor or felony) for:

- Possession in amounts greater than those noted above even if purchased from a LCB licensed retailer.
- Possession of any quantity or kind of marijuana or marijuana-infused product by a person under twenty-one years of age.

It is assumed that there may be a reduction in these criminal prosecution filings, but data is not available to accurately predict that reduction.

2. It is assumed that there will be an unknown reduction in charges under the following statutes:

- RCW 69.50.412 (misdemeanor drug paraphernalia violations)
- RCW 69.50.4121 (civil infraction drug paraphernalia offenses)
- RCW 69.50.4013 (possession of a controlled substance without a prescription)
- RCW 69.50.401 (felony controlled substance violations).

3. It is assumed that there could be an unknown increase in criminal DUI and Driving While License Suspended (DWLS) charges.

4. It is assumed that there will be an unknown increase in blood search warrants to obtain THC readings.

5. It is assumed that the impact to the local government will begin in December 2012, according to lead agency assumptions.

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.

There are potentially significant expenditure impacts that may accrue to local governments in the form of changes to law enforcement procedure, specific circumstances related to existing crimes, enforcement of new crimes and some local tax revenues. Some impacts may accrue as savings and some may accrue as new or increased expenditures. There may be significant expenditure reductions for charging and trying fewer misdemeanor crimes and some felony crimes. There may be a reduction in jail sentences due to fewer misdemeanor convictions. There may be increased expenditures for enforcement of Driving Under the Influence (DUI) and Driving with License Suspended (DWLS) laws. There are expected to be additional costs for training local law enforcement in drug recognition (Some officers would be trained as Drug Recognition Experts (DRE), and for obtaining blood warrants to determine DUI substance levels.

ENFORCEMENT OF DUI PROVISIONS

Training -- In order to enforce the new laws, the Washington State Patrol (WSP) expects to train additional troopers in recognition and enforcement of marijuana use while driving. Local governments would also need to provide additional training for every officer or deputy in identifying marijuana-related DUI and proper handling of suspected drivers, in proper methodology for testing and arrest, and in obtaining blood samples. Some local enforcement personnel would also receive higher level Drug Recognition Expert (DRE) training. The amount of training and the number of DRE trained officers is subject to local decisions. The Criminal Justice Training Center (CJTC) provides training to new local law enforcement personnel and intends to incorporate the new law into their existing training program. The WSP provides periodic training to local officers on changes in law and procedure and also provides DRE training. The WSP expects to add about an hour to their periodic update training for officers and deputies. Local governments may also choose to add additional training as needed.

The number of DUI cases and DWLS cases may increase. There are no data to estimate the change in these two offenses. These are both misdemeanor violations with costs similar to the crimes discussed below.

Per case costs -- Legal access to marijuana may cause an increase in DUI violations, license suspension, and DWLS violations. The amount of change is not known. Each additional DUI case or DWLS case charged and leading to a conviction would carry an additional cost of approximately \$1,888 (see below for detail). This could potentially offset the expenditure reduction associated with fewer possession violations.

Arrests -- There may be a reduction in the number of arrests made for possession of less than 40 grams of marijuana, and possession of marijuana paraphernalia as a result of the initiative. There may also be an increase in the number of arrests for DUI and DWLS. There are other factors that could lead to an individual arrest for any police contact involving marijuana, so some arrests would continue to occur. It is not possible to estimate the change in the total number of arrests that will occur. The cost of an arrest for similar misdemeanor crimes averages \$375; this estimate includes officer time, paperwork, court appearance time, transportation and additional officer time for booking (LGFN survey of law enforcement costs 2010). Because marijuana-related DUI arrests require a blood sample, there may be increased costs associated with documenting circumstances, obtaining a blood warrant, and transporting a potential violator for testing. The WSP estimates that extra officer or deputy time are associated with these functions.

REDUCTION IN VIOLATIONS OF SOME CRIMES

The following crimes have been identified by the Administrative Office of the Courts (AOC) as likely to experience a reduced number of charges:

- 69.50.4014 RCW possession of less than 40 grams of marijuana
- 69.50.412 RCW misdemeanor drug paraphernalia possession
- 69.50.4121 RCW civil infraction drug paraphernalia possession
- 69.50.4013 RCW felony possession of a controlled substance without a prescription
- 69.50.401 RCW felony controlled substance possession

Conviction for most charges of these crimes lead to jail sentences which are a local expense.

NOTE -- There are also potential court impacts and court fine revenue impacts that would affect cities and counties; these are detailed in the Administrative Office of the Courts (AOC) fiscal note. AOC addresses court-related fiscal impacts; local government fiscal notes cover defense, prosecution and jail-related costs.

MISDEMEANOR CASE EXPENDITURES

The average misdemeanor prosecution, defense, and jail sentence cost per conviction is \$1,888. It is not possible to estimate the change in the number of cases as no data exists to estimate any change in the number of arrests (AOC fiscal note). There may be other changes due to fewer arrests and fewer misdemeanor charges for paraphernalia-related offenses, but those cannot be estimated.

REDUCTION IN MISDEMEANOR CASES

According to the Administrative Office of the Courts (AOC), on average 9,308 charges were filed in courts for possession of 40 grams or less of marijuana by someone 18 or older. A similar number of charges were filed for the use of drug paraphernalia by someone 18 or older. This bill could result in fewer misdemeanor charges filed for possession of marijuana. There would also probably be some reduction in paraphernalia cases. It is not possible to predict the number, because not all paraphernalia charges under 69.50.412 RCW involve marijuana. These 9,308 filings do not always lead to a conviction, multiple charges can be associated with one offender, and the number of convictions is lower than the number of charges.

On average (2010 and 2011) there were 3,259 convictions for possession of less than 40 grams of marijuana. In 2011 there were 1,522 convictions for possession of drug paraphernalia leading to jail sentences. It is not known how many of the paraphernalia convictions were related to marijuana and therefore would not have been charged.

BACKGROUND ON PROSECUTION, DEFENSE AND JAIL COSTS FOR MISDEMEANOR CRIMES

Prosecution costs -- The average cost for prosecuting a misdemeanor crime is approximately \$323 per case (LGFN 2010 prosecutor survey). This includes attorney and staff time for charging, case preparation, adjudication and sentencing. It does not include any appeals which would cost an additional \$660 per case.

Public defender costs -- Approximately 93 percent of misdemeanor cases qualify for public defender representation. The range of the average cost for public defense representation is approximately \$899 to \$1,512 per case for an average cost of \$1,205 (LGFN 2009 defender survey). This includes attorney and staff time for charging, case preparation, adjudication and sentencing. Defense costs also include time preparing the defendant for trial, research and investigation and other costs.

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 2011 misdemeanor convictions table the average jail sentence for Possession of Marijuana of less than 40 grams was 80.2 days with all but four days suspended. The daily jail bed rate is \$80, according to the LGFN 2011 jail cost survey (weighted by population). The cost of a sentence would be \$360 (4 days x \$80 a day = \$360).

Total -- The combined reduction in costs for each misdemeanor not charged, prosecuted, defended, sentenced and jail time not served is \$1,888 (\$323 prosecution + \$1,205 defense + \$360 jail = \$1,888).

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 (2009 LGFN defender cost survey).

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.

This bill could result in increased sales and use tax and local business and occupation tax (B&O) revenues. However estimated revenues are indeterminate. According to the Department of Revenue (DOR), the indeterminate nature of the revenue estimate is due to:

- Significant uncertainty concerning federal statutes that consider marijuana an illegal substance;
- The initiative's closed and highly regulated market structure, which is unlike other markets; and
- The lack of tangible data with which to estimate state and local revenues.

It is assumed that a legal marijuana market will not be established until after December 1, 2013 (lead agency assumptions). At that time, a limited number of retail locations will be permitted around the state resulting in increased sales and use tax. Given the indeterminate nature of revenue impacts, DOR is estimating that retail sales of marijuana and infused products, at current consumption level assumptions, would generate the following increases in local retail sales taxes:

- Fiscal Year 2014: \$15,856,000 (six months only)
- Fiscal Year 2015: \$32,664,000
- Fiscal Year 2016: \$33,664,000
- Fiscal Year 2017: \$34,653,000

DOR estimates that consumption -- and therefore sales -- will increase by three percent per year following legalization of marijuana sales. For detailed information on sales and use tax assumptions, see the DOR fiscal note.

Depending on the location of sales outlets, there could also be local B&O tax revenue for one or more of the 39 cities that charge local B&O taxes. However, it is not known where these retail locations would be established so this impact cannot be estimated.

In addition to potential revenue increases from local taxes, Section 28(5)b(ii) provides that 10 percent of grant funds remaining after off the top disbursements from the Dedicated Marijuana Fund would go to the Department of Health to develop and implement youth marijuana-use prevention and intervention programming, of which an unknown portion would be granted to local health departments.

SOURCES:

Administrative Office of the Courts (AOC) fiscal note
Caseload Forecast Council (CFC) fiscal note
Department of Revenue fiscal note
Washington Association of Prosecuting Attorneys
Washington Defenders Association
Administrative Office of the Courts "Top twenty misdemeanor report" 2011
Washington Association of Sheriffs and Police Chiefs (WASPC)
Criminal Justice Training Center (CJTC) fiscal note
Criminal Justice Training Center (CJTC)
LGFN 2010 prosecutor costs survey
LGFN 2011 jail cost survey (weighted by population)

LGFN 2009 public defender costs survey
LGFN 2010 City law enforcement costs survey
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Fiscal note for PSSB 5615 2010 session