

Multiple Agency Fiscal Note Summary

Bill Number: 502 XIL	Title: AN ACT Relating to marijuana
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Estimated Cash Receipts

Agency Name	2011-13		2013-15		2015-17	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	Non-zero but indeterminate cost. Please see discussion."					
Liquor Control Board	Non-zero but indeterminate cost. Please see discussion."					
Total \$	0	0	0	0	0	0

Estimated Expenditures

Agency Name	2011-13			2013-15			2015-17		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Administrative Office of the Courts	Fiscal note not available								
Office of State Treasurer	Fiscal note not available								
Office of Attorney General	Fiscal note not available								
Caseload Forecast Council	Fiscal note not available								
Office of Financial Management	Fiscal note not available								
Office of Administrative Hearings	Fiscal note not available								
Department of Revenue	.1	8,000	8,000	.4	13,400	67,500	.1	13,400	13,400
Liquor Control Board	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Washington State Patrol	Fiscal note not available								
Criminal Justice Training Commission	Fiscal note not available								
Department of Social and Health Services	Fiscal note not available								
Department of Health	Fiscal note not available								
Department of Agriculture	Fiscal note not available								
Total	0.1	\$8,000	\$8,000	0.4	\$13,400	\$67,500	0.1	\$13,400	\$13,400

Local Gov. Courts *	Fiscal note not available								
Local Gov. Other **	Fiscal note not available								
Local Gov. Total									

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

** See local government fiscal note

Estimated Capital Budget Impact

NONE

Prepared by: Garry Austin, OFM	Phone: 360-902-0564	Date Published: Preliminary 3/20/2012
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID 32543

Department of Revenue Fiscal Note

Revised

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

No Fiscal Impact

Estimated Cash Receipts to:

Indeterminate Impact

Estimated Expenditures from:

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years		0.1	0.1	0.4	0.1
Account					
GF-STATE-State 001-1		8,000	8,000	13,400	13,400
Master License Account-State 03N-1				54,100	
Total \$		8,000	8,000	67,500	13,400

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: Steve Smith	Phone: 360-534-1518	Date: 03/02/2012
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 03/02/2012
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 03/02/2012

Request # 0502-1-5

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 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 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

III. A - Expenditures by Object Or Purpose

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years		0.1	0.1	0.4	0.1
A-Salaries and Wages		4,100	4,100	41,400	8,200
B-Employee Benefits		1,200	1,200	12,400	2,400
E-Goods and Services		2,000	2,000	10,200	2,600
J-Capital Outlays		700	700	3,500	200
Total \$		\$8,000	\$8,000	\$67,500	\$13,400

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
EXCISE TAX EX 2	41,316		0.1	0.1	0.1	0.1
IT SPEC 4	61,296				0.1	
IT SPEC 5	67,668				0.2	
Total FTE's	170,280		0.1	0.1	0.4	0.1

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
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.

Estimated Expenditures from:

Non-zero but indeterminate cost. Please see discussion.

Estimated Capital Budget Impact:

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: Michael Kashmar	Phone: 360-664-1690	Date: 03/01/2012
Agency Approval: Michael Kashmar	Phone: 360-664-1690	Date: 03/01/2012
OFM Review: Diamatris Winston	Phone: (360) 902-7657	Date: 03/01/2012

Request # I-502-2

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.

Fiscal impacts for the Liquor Control Board are indeterminate, but non-zero, at this time. The proposed measure authorizes the Liquor Control Board (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.

Expenditure impact for the Liquor Control Board (board) is indeterminate at this time. 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.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

Non-zero but indeterminate cost. Please see discussion.
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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

I-502 Fiscal Note Projections
Consumption, Retail Sales and Excise Taxes
Baseline

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
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Consumption

Grams	-	-	50,918,500	88,967,795	91,636,829	94,386,034	97,217,500
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Sales

Producer	-	-	\$ 95,472,188	\$ 166,814,616	\$ 171,819,054	\$ 176,973,813	\$ 182,282,813
Processor	-	-	\$ 381,888,750	\$ 667,258,463	\$ 687,276,216	\$ 707,895,254	\$ 729,131,250
Retail	\$ -	\$ -	\$ 763,777,500	\$ 1,334,516,925	\$ 1,374,552,433	\$ 1,415,790,508	\$ 1,458,262,500

Marijuana Excise Taxes

Producer	\$ -	\$ -	\$ 19,094,438	\$ 33,362,923	\$ 34,363,811	\$ 35,394,763	\$ 36,456,563
Processor	\$ -	\$ -	\$ 76,377,750	\$ 133,451,693	\$ 137,455,243	\$ 141,579,051	\$ 145,826,250
Retail	\$ -	\$ -	\$ 152,755,500	\$ 266,903,385	\$ 274,910,487	\$ 283,158,102	\$ 291,652,500
Total	\$ -	\$ -	\$ 248,227,688	\$ 433,718,001	\$ 446,729,541	\$ 460,131,915	\$ 473,935,313

Licenses

Producer	-	-	100	100	100	100	100
Processor	-	-	55	55	55	55	55
Retail	-	-	328	328	328	328	328
Total	-	-	483	483	483	483	483
License Fees	\$ -	\$ -	\$ 410,550	\$ 483,000	\$ 483,000	\$ 483,000	\$ 483,000

License Fee Rates

\$250 Application Fee

\$1,000 Renewal Fee

I-502 Fiscal Note Projections
Consumption, Retail Sales and Excise Taxes
10% Increase

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Consumption							
Grams	-	-	53,892,000	95,004,000	97,854,120	100,789,620	103,813,000

Sales							
Producer	-	-	\$ 101,047,500	\$ 178,132,500	\$ 183,476,475	\$ 188,980,538	\$ 194,649,375
Processor	-	-	\$ 404,190,000	\$ 712,530,000	\$ 733,905,900	\$ 755,922,150	\$ 778,597,500
Retail	\$ -	\$ -	\$ 808,380,000	\$ 1,425,060,000	\$ 1,467,811,800	\$ 1,511,844,300	\$ 1,557,195,000

Marijuana Excise Taxes							
Producer	\$ -	\$ -	\$ 20,209,500	\$ 35,626,500	\$ 36,695,295	\$ 37,796,108	\$ 38,929,875
Processor	\$ -	\$ -	\$ 80,838,000	\$ 142,506,000	\$ 146,781,180	\$ 151,184,430	\$ 155,719,500
Retail	\$ -	\$ -	\$ 161,676,000	\$ 285,012,000	\$ 293,562,360	\$ 302,368,860	\$ 311,439,000
Total	\$ -	\$ -	\$ 262,723,500	\$ 463,144,500	\$ 477,038,835	\$ 491,349,398	\$ 506,088,375

Licenses							
Producer	-	-	100	100	100	100	100
Processor	-	-	55	55	55	55	55
Retail	-	-	328	328	328	328	328
Total	-	-	483	483	483	483	483
License Fees	\$ -	\$ -	\$ 410,550	\$ 483,000	\$ 483,000	\$ 483,000	\$ 483,000

License Fee Rates
 \$250 Application Fee
 \$1,000 Renewal Fee

Dedicated Marijuana Fund Quarterly Distributions

Annual Totals

Baseline

Revenue

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Marijuana Excise Taxes	\$ -	\$ -	\$ 248,227,688	\$ 433,718,001	\$ 446,729,541	\$ 460,131,915	\$ 473,935,313
License Fees	-	-	410,550	483,000	483,000	483,000	483,000
Total Dedicated Marijuana Fund	\$ -	\$ -	\$ 248,638,238	\$ 434,201,001	\$ 447,212,541	\$ 460,614,915	\$ 474,418,313

Distributions

Sec. 28. (1)	DSHS - Washington Healthy Youth Survey	\$ -	\$ -	\$ 375,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Sec. 28. (2)	DSHS - Washington State Institute for Public Policy	-	-	150,000	200,000	200,000	200,000	200,000
Sec. 28. (3)	UW Alcohol & Drug Abuse Institute	-	-	15,000	20,000	20,000	20,000	20,000
Sec. 28. (4)	WSLCB	-	-	3,750,000	5,000,000	5,000,000	5,000,000	5,000,000
Sec. 28. (5)	(a) DSHS - Division of Behavioral Health & Recovery	-	-	36,652,236	64,272,150	66,223,881	68,234,237	70,304,747
	(b) Dept of Health	-	-	24,434,824	42,848,100	44,149,254	45,489,492	46,869,831
	(c) UW	-	-	1,466,089	2,570,886	2,648,955	2,729,369	2,812,190
	(c) WSU	-	-	977,393	1,713,924	1,765,970	1,819,580	1,874,793
	(d) State Basic Health Plan Trust Account	-	-	122,174,119	214,240,500	220,746,270	227,447,458	234,349,156
	(e) WA State Health Care Authority	-	-	12,217,412	21,424,050	22,074,627	22,744,746	23,434,916
	(f) Office of the Superintendent of Public Instruction	-	-	733,045	1,285,443	1,324,478	1,364,685	1,406,095
(g) General Fund	\$ -	\$ -	\$ 45,693,120	\$ 80,125,947	\$ 82,559,105	\$ 85,065,349	\$ 87,646,584	

Dedicated Marijuana Fund Quarterly Distributions

Annual Totals

10% Increase

Revenue

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Marijuana Excise Taxes	\$ -	\$ -	\$ 262,723,500	\$ 463,144,500	\$ 477,038,835	\$ 491,349,398	\$ 506,088,375
License Fees	-	-	410,550	483,000	483,000	483,000	483,000
Total Dedicated Marijuana Fund	\$ -	\$ -	\$ 263,134,050	\$ 463,627,500	\$ 477,521,835	\$ 491,832,398	\$ 506,571,375

Distributions

Sec. 28. (1)	DSHS - Washington Healthy Youth Survey	\$ -	\$ -	\$ 375,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Sec. 28. (2)	DSHS - Washington State Institute for Public Policy	-	-	150,000	200,000	200,000	200,000	200,000
Sec. 28. (3)	UW Alcohol & Drug Abuse Institute	-	-	15,000	20,000	20,000	20,000	20,000
Sec. 28. (4)	WSLCB	-	-	3,750,000	5,000,000	5,000,000	5,000,000	5,000,000
Sec. 28. (5)	(a) DSHS - Division of Behavioral Health & Recovery	-	-	38,826,608	68,686,125	70,770,275	72,916,860	75,127,706
	(b) Dept of Health	-	-	25,884,405	45,790,750	47,180,184	48,611,240	50,085,138
	(c) UW	-	-	1,553,064	2,747,445	2,830,811	2,916,674	3,005,108
	(c) WSU	-	-	1,035,376	1,831,630	1,887,207	1,944,450	2,003,406
	(d) State Basic Health Plan Trust Account	-	-	129,422,025	228,953,750	235,900,918	243,056,199	250,425,688
	(e) WA State Health Care Authority	-	-	12,942,203	22,895,375	23,590,092	24,305,620	25,042,569
	(f) Office of the Superintendent of Public Instruction	-	-	776,532	1,373,723	1,415,406	1,458,337	1,502,554
(g) General Fund	\$ -	\$ -	\$ 48,403,837	\$ 85,628,703	\$ 88,226,943	\$ 90,903,018	\$ 93,659,207	