
Appropriations Committee

E2SSB 5796

Brief Description: Restructuring cannabis revenue appropriations.

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

Brief Summary of Engrossed Second Substitute Bill

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

Hearing Date: 2/22/22

Staff: Andrew Toulon (786-7178).

Background:

Dedicated Marijuana Account.

The Dedicated Marijuana Account (Marijuana Account) is an appropriated account in the custody of the State Treasurer. All moneys received by the Liquor and Cannabis Board (LCB) from marijuana-related activities must be deposited in the Marijuana Account. These moneys include marijuana excise taxes collected on sales of marijuana and marijuana products, license fees, penalties, and forfeitures from marijuana producers, processors, researchers, and retailers. Moneys from the account are appropriated for expenditures by state agencies and transfers to the Basic Health Plan Trust Account which is used for state funded health care expenditures. Remaining funds are transferred to the State General Fund. A portion of the amounts transferred to the State General Fund are appropriated for distribution for local governments.

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

Cannabis Revenues and Appropriations.

The February 2022 forecast adopted by the Economic and Revenue Forecast Council estimates \$540 million in state revenues from marijuana-related activities during fiscal year (FY) 2022 and \$537 million in FY 2023. Two sections of current law provide direction to the Legislature in the appropriation of moneys in the dedicated marijuana account. Some appropriations are directed to be ongoing and others are not. Following is a summary of the appropriation levels beginning in FY 2022 with items that are ongoing noted.

Initial Appropriations.

The Legislature must initially appropriate the Marijuana Account as follows:

- \$500,000 to the Health Care Authority (HCA) to design and administer the Washington State Healthy Youth Survey (ongoing);
- \$200,000 to the HCA to contract with the Washington State Institute for Public Policy (WSIPP) to conduct cost-benefit evaluations and reports regarding the legalization of marijuana (until 2032);
- \$20,000 to the University of Washington (UW) alcohol and drug abuse institute for education materials regarding health and safety risks posed by marijuana use (ongoing);
- not less than \$5.0 million to the LCB for administration of the state Uniform Controlled Substances Act (USCA) (ongoing- current annual appropriation is \$11.6 million);
- \$2.4 million in FY 2022 and FY 2023 for the Washington State Patrol Drug Enforcement Task Force;
- \$270,000 in FY 2022 and \$276,000 in FY 2023 to the Department of Ecology (Ecology) for accreditation of marijuana product testing laboratories;
- \$808,000 in FY 2022 and FY 2023 to the Department of Health (DOH) for administration of the marijuana authorization database;
- \$621,000 in FY 2022 and \$627,000 in FY 2023 to the Washington State Department of Agriculture (WSDA) for marijuana pesticide testing;
- \$1.65 million to the Washington State Department of Commerce (Commerce) to fund the Cannabis Social Equity Technical Assistance Grant Program;
- \$163,000 for FY 2022 and \$159,000 for FY 2023 to the Commerce to establish the cannabis social equity roster of mentors

Secondary Appropriations.

After appropriation of the amounts above, the Legislature must appropriate the remaining amounts in the Marijuana Account as follows:

- up to 15 percent, but not less than \$25.5 million, subject to additional limitations, to the HCA for administration of programs and practices aimed at prevention or reduction of substance use among middle and high school-age students (ongoing);
- up to 10 percent, but not less than \$9.75 million to the DOH for administration of a marijuana education and public health program and the Washington Poison Control Center (ongoing);
- up to 0.6 percent to UW and 0.4 percent to Washington State University (WSU) for

- marijuana research (ongoing with no minimum amount for the 2021-23 biennium);
- 50 percent to the state Basic Health Plan Trust Account, administered by the HCA (ongoing);
- 5 percent to the HCA for contracts with community health centers to provide certain health services (ongoing); and
- up to 0.3 percent, but not less than \$511,000 to the Washington Office of the Superintendent of Public Instruction (OSPI) to fund grants to Building Bridges programs; (ongoing).

At the end of each fiscal year, the Washington State Treasurer (Treasurer) must transfer the remaining amounts into the State General Fund. If marijuana excise tax collections deposited into the State General Fund from the previous fiscal year exceed \$25 million, then the Legislature must appropriate an amount equal to 30 percent, up to a cap of \$20 million annually, to the Treasurer, for distribution to counties, cities, and towns (local governments) as follows:

- 30 percent to local government jurisdictions in which licensed marijuana retailers are physically located—each jurisdiction must receive a proportional share based on total revenues generated and taxes collected in such jurisdiction; and
- 70 percent to local governments on a per capita basis provided the jurisdiction does not prohibit siting of state-licensed marijuana businesses—counties must receive 60 percent based on each county's total proportional population.

Summary of Bill:

The Marijuana Account is renamed to the Dedicated Cannabis Account (DCA). Beginning in FY 2023, the Legislature must annually appropriate money in the DCA as follows:

- \$12.5 million to the LCB for administration of the USCA (ongoing);
- \$11 million to the DOH for administration of a commercial tobacco, vapor product, and marijuana education and public health program and the Washington Poison Control Center (ongoing);
- \$3 million to the Commerce to fund the Cannabis Social Equity Technical Assistance Grant Program and for administration of low interest loans to cannabis social equity application licensees (ongoing);
- \$200,000 to the Commerce to fund technical assistance through a roster of mentors pursuant to the Cannabis Social Equity Technical Assistance Grant Program (ongoing);
- \$250,000 to the HCA to contract with the WSIPP to conduct cost-benefit evaluations and produce reports regarding the legalization of marijuana (annually until June 30, 2032);
- \$25,000 to the UW alcohol and drug abuse institute for education materials regarding health and safety risks posed by marijuana use (ongoing)
- \$300,000 to the UW and \$175,000 to the WSU for marijuana research (ongoing);
- \$550,000 to the OSPI to fund grants to Building Bridges programs (ongoing);
- \$2.4 million for FY 2022 and \$2.8 million for FY 2023 for the Washington State Patrol Drug Enforcement Task Force;
- \$270,000 in FY 2022 and \$464,000 in FY 2023 to the Ecology for accreditation of marijuana product testing laboratories;

- \$800,000 in FYs 2022 and 2023 to the DOH for administration of the marijuana authorization database; and
- \$621,000 in FY 2022 and \$635,000 in FY 2023 to the WSDA for marijuana pesticide testing.

The amounts listed above that are ongoing and continue beyond FY 2023 must be adjusted annually based on the United States Bureau of Labor Statistics' Consumer Price Index for the Seattle area. Any amounts remaining after the distributions above must be distributed as follows:

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

Appropriation: None.

Fiscal Note: Requested on February 22, 2022.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.