

SENATE BILL REPORT

SB 5547

As of February 4, 2025

Title: An act relating to increasing cannabis revenue distributions to local governments.

Brief Description: Increasing cannabis revenue distributions to local governments.

Sponsors: Senators Wagoner and Christian.

Brief History:

Committee Activity: Ways & Means: 2/04/25.

Brief Summary of Bill

- Modifies the amount of cannabis revenue distributed each year to local governments and the state general fund.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Alia Kennedy (786-7405)

Background: Cannabis Excise Tax. Recreational cannabis products are subject to a 37 percent excise tax. The tax applies to each retail sale of cannabis concentrates, useable cannabis, and cannabis-infused products, and is separate and in addition to general retail sales and use taxes. Qualifying sales of medical cannabis products and certain high-CBD or low-THC products are exempt from the cannabis excise tax.

Dedicated Cannabis Account. The Dedicated Cannabis Account is an appropriated account in the custody of the state treasurer. All moneys received by the Liquor and Cannabis Board (LCB) from cannabis-related activities must be deposited in the Dedicated Cannabis Account. Funds in the account include the cannabis excise tax collected on sales of cannabis products, license fees, penalties, and forfeitures from cannabis producers, processors, researchers, and retailers.

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 Revenue Appropriations. The Legislature annually appropriates money in the Dedicated Cannabis Account as follows:

- \$12.5 million to LCB for administration of the Uniform Controlled Substances Act;
- \$11 million to the Department of Health for administration of a commercial tobacco, vapor product, and cannabis education and public health program, and the Washington Poison Control Center;
- \$3 million to the Department of Commerce to fund the cannabis social equity technical assistance grant program;
- \$200,000 to the Department of Commerce to fund any cannabis social equity technical assistance roster of mentors;
- \$25,000 to the University of Washington Alcohol and Drug Abuse Institute for education materials regarding health and safety risks posed by cannabis use;
- \$300,000 to the University of Washington and \$175,000 to the Washington State University for cannabis research; and
- \$550,000 to the Office of the Superintendent of Public Instruction to fund grants to building bridges programs.

The distributions listed above are base amounts that must be adjusted annually by 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:

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

Summary of Bill: Beginning in fiscal year 2026, Dedicated Cannabis Account distributions to local governments and the state general fund are modified as provided below.

The percent distributed to counties, cities, and towns where licensed cannabis retailers are physically located is increased as follows:

- 2.0 percent for fiscal year 2026;
- 2.5 percent for fiscal year 2027;
- 3.0 percent for fiscal year 2028;
- 3.5 percent for fiscal year 2029; and

- 4.0 percent for fiscal year 2030 and thereafter.

The percent distributed to counties, cities, and towns on a per capita basis provided the jurisdiction does not prohibit cannabis siting is increased as follows:

- 4.0 percent for fiscal year 2026;
- 4.5 percent for fiscal year 2027;
- 5.0 percent for fiscal year 2028;
- 5.5 percent for fiscal year 2029; and
- 6.0 percent for fiscal year 2030 and thereafter.

The percentage distributed to the state general fund is decreased as follows:

- 31 percent for fiscal year 2026;
- 30 percent for fiscal year 2027;
- 29 percent for fiscal year 2028;
- 28 percent for fiscal year 2029; and
- 27 percent for fiscal year 2030 and thereafter.

Appropriation: None.

Fiscal Note: Requested on January 27, 2025.

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

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

Staff Summary of Public Testimony: PRO: The intent of this bill is to help with local government financing. The recreational cannabis market was initially sold to local governments as a source of funding that could support services such as law enforcement, education, and health care. Local governments have not received much cannabis funding support.

Cities and counties took the risk of allowing cannabis facilities into their communities and deserve to realize the financial benefit that these communities thought they were receiving. Cities are facing similar budget challenges with the state in their ability to provide services to their communities. Many cities say that expenditures are growing faster than revenues and this funding would help. Nearly half of city budgets go to public safety. One of the main ways cities say that the Legislature can help is by increasing state shared revenues that provide ongoing and sustainable sources of funding for critical needs.

Nothing in this bill changes the fact that cities that ban cannabis businesses do not receive cannabis revenue. This bill is a modest step to incremental increases in the local government share of revenues associated with cannabis revenue. Local resources are primarily through property taxes which are capped at 1 percent.

Persons Testifying: PRO: Senator Keith Wagoner, Prime Sponsor; Candice Bock, Association of Washington Cities; Mary Lou Pauly, Mayor, City of Issaquah; BRIAN ENSLOW, Washington State Association of Counties; Jessica Yaeger, Councilmember, City of Spokane Valley.

Persons Signed In To Testify But Not Testifying: No one.