



Preliminary Report
**Dedicated Cannabis Account
appropriations and expenditures**

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November 2023



Legislative Auditor's Conclusion

State and local agencies spent \$3.3 billion from the Dedicated Cannabis Account between fiscal years 2015 and 2023.

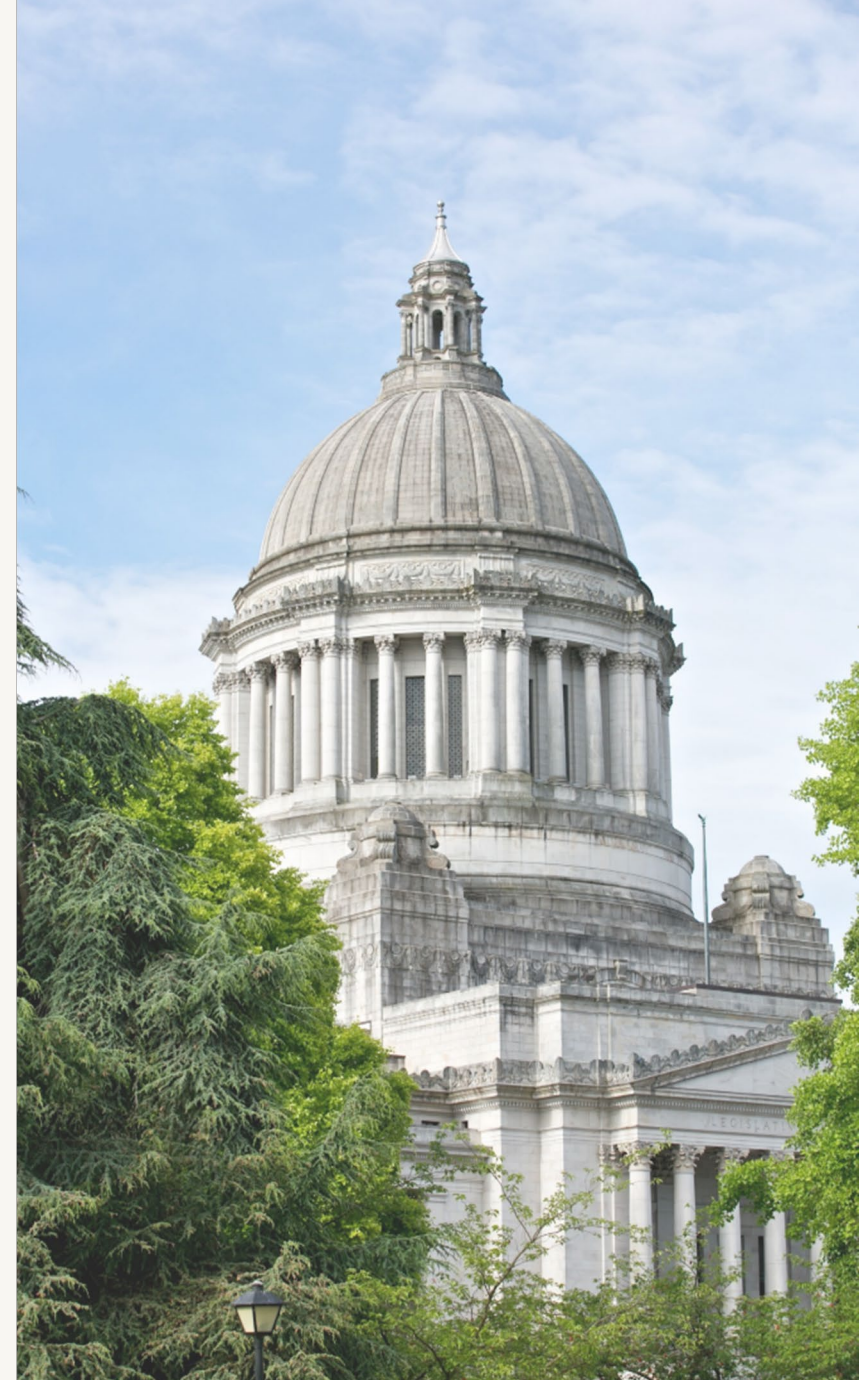
Spending was consistent with legislative direction. Opportunities exist to improve financial transparency.

JLARC directed to review the Dedicated Cannabis Account

Review appropriations and expenditures

Determine if they are consistent with statute

Evaluate the information transparency

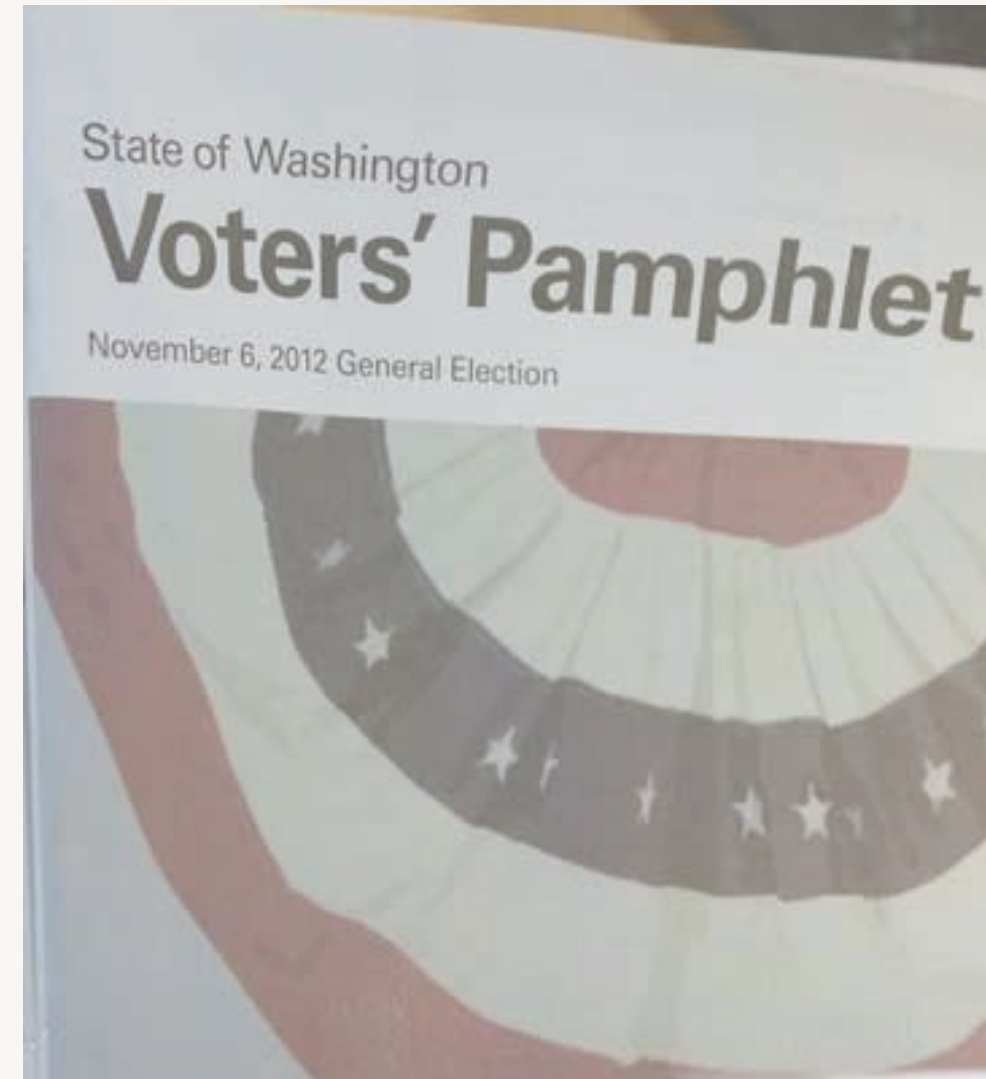


Initiative 502 created Dedicated Cannabis Account

Account holds revenues from taxes and other fees related to cannabis sales

99% of Account revenues are from cannabis excise tax

The Liquor and Cannabis Board (LCB) administers the Account





JLARC is directed to evaluate racial equity considerations

The Account does not specifically direct funds to particular racial or ethnic groups

Some funded programs had race/ethnicity data for program participants

- Available information is in report Appendix B

Presentation Overview

- How does the Legislature appropriate funds?
- How were Account revenues spent?
- What are some options to improve financial transparency?

The Legislature appropriates funds based on a two-part formula

Specified in I-502

Codified in RCW 69.50.540

1

State agencies receive fixed dollar amounts for specific purposes

EXAMPLE

WSIPP receives \$200,000 for benefit-cost evaluations of I-502

2

State agencies & accounts, and local governments receive percent of remaining funds

EXAMPLE

HCA receives 11% of remaining funds for programs (e.g., prevention and education)



[VIEW DETAIL](#)

All appropriations by entity

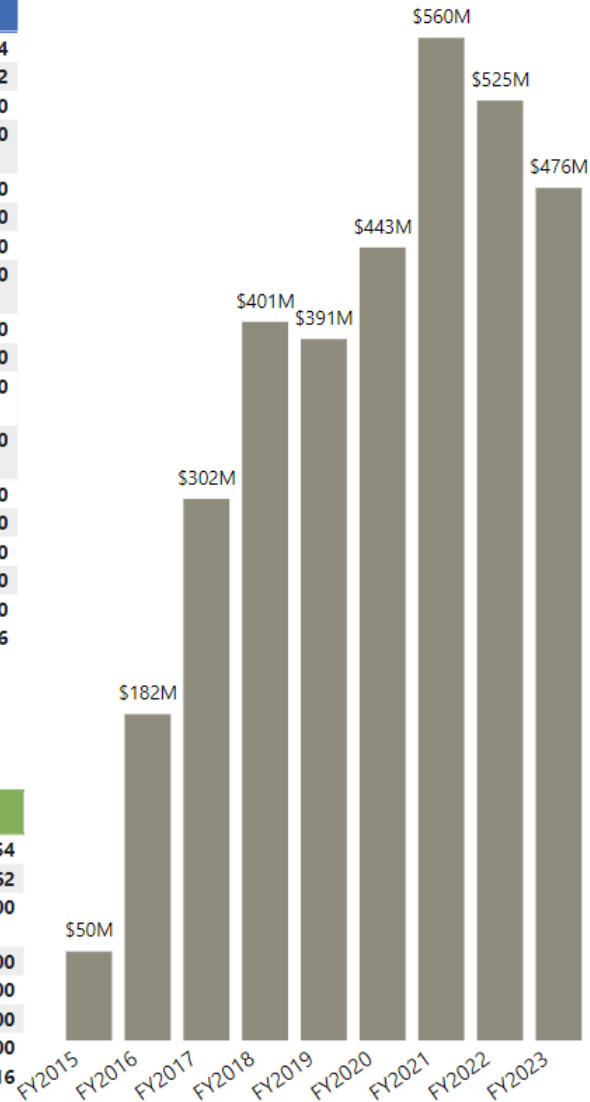
Click on entity name to filter graph

Entity	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	Total
Basic Health Plan Trust Account	\$22,706,000	\$93,750,000	\$145,717,000	\$213,912,000	\$188,316,699	\$213,000,000	\$272,000,000	\$264,470,455	\$230,431,000	\$1,644,303,154
General Fund	\$15,269,000	\$51,048,900	\$96,596,209	\$102,376,825	\$116,481,699	\$137,000,000	\$191,295,655	\$157,065,574	\$141,804,000	\$1,008,937,862
Health Care Authority: Centers	\$2,271,000	\$7,791,000	\$14,572,000	\$17,616,000	\$18,677,000	\$20,870,000	\$26,906,000	\$26,063,000	\$21,078,000	\$155,844,000
Health Care Authority: Programs					\$28,486,000	\$28,490,000	\$28,490,000	\$28,493,000	\$28,493,000	\$142,452,000
Local Government				\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$20,000,000	\$22,157,000	\$102,157,000
Liquor & Cannabis Board	\$4,214,000	\$7,736,000	\$8,481,000	\$10,400,000	\$10,585,000	\$11,649,000	\$10,846,000	\$11,846,000	\$12,500,000	\$88,257,000
Dept. of Health	\$1,000	\$7,500,000	\$7,500,000	\$9,761,000	\$9,764,000	\$10,786,000	\$10,615,000	\$10,584,000	\$11,800,000	\$78,311,000
Dept. of Social & Health Services	\$5,166,000	\$13,514,000	\$28,486,000	\$28,486,000						\$75,652,000
Washington State Patrol					\$2,803,000	\$2,453,000	\$2,423,000	\$2,423,000	\$2,423,000	\$12,525,000
Dept. of Commerce								\$1,813,000	\$3,200,000	\$5,013,000
Office of Financial Mgmt./Dept. of Health				\$2,652,000	\$352,000	\$1,323,000				\$4,327,000
Office of Superintendent of Public Instruction		\$251,000	\$511,000	\$513,000	\$515,000	\$522,000	\$530,000	\$520,000	\$550,000	\$3,912,000
Dept. of Agriculture						\$635,000	\$635,000	\$628,000	\$635,000	\$2,533,000
University of Washington		\$227,000	\$227,000	\$247,000	\$247,000	\$256,000	\$266,000	\$263,000	\$325,000	\$2,058,000
Dept. of Ecology					\$98,000	\$465,000	\$464,000	\$284,000	\$290,000	\$1,601,000
Washington State University		\$138,000	\$138,000	\$138,000	\$138,000	\$138,000	\$138,000	\$138,000	\$175,000	\$1,141,000
Dept. of Enterprise Services		\$95,000								\$95,000
Total	\$49,627,000	\$182,050,900	\$302,228,209	\$401,101,825	\$391,463,398	\$442,587,000	\$559,608,655	\$524,591,029	\$475,861,000	\$3,329,119,016

All appropriations by category

Click on category name to filter graph

Category	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	Total
Health Care	\$24,977,000	\$101,541,000	\$160,289,000	\$231,528,000	\$206,993,699	\$233,870,000	\$298,906,000	\$290,533,455	\$251,509,000	\$1,800,147,154
General Fund	\$15,269,000	\$51,048,900	\$96,596,209	\$102,376,825	\$116,481,699	\$137,000,000	\$191,295,655	\$157,065,574	\$141,804,000	\$1,008,937,862
Prevention, Education, & Treatment	\$5,167,000	\$20,585,000	\$35,817,000	\$38,080,000	\$38,085,000	\$38,121,000	\$38,147,000	\$38,109,000	\$39,368,000	\$291,479,000
Administration & Enforcement	\$4,214,000	\$7,831,000	\$8,481,000	\$13,052,000	\$13,838,000	\$17,522,000	\$15,176,000	\$15,989,000	\$16,648,000	\$112,751,000
Local Government				\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$20,000,000	\$22,157,000	\$102,157,000
Research		\$1,045,000	\$1,045,000	\$1,065,000	\$1,065,000	\$1,074,000	\$1,084,000	\$1,081,000	\$1,175,000	\$8,634,000
Social Equity								\$1,813,000	\$3,200,000	\$5,013,000
Total	\$49,627,000	\$182,050,900	\$302,228,209	\$401,101,825	\$391,463,398	\$442,587,000	\$559,608,655	\$524,591,029	\$475,861,000	\$3,329,119,016



Presentation Overview

- How does the Legislature appropriate funds?
- How were Account revenues spent?
- What are some options to improve financial transparency?

State and local agencies spent \$3.3 billion from the Account

Spending was consistent with legislative direction

Category	Amount	Percent
Health care	\$1.8 billion	54%
General fund	\$1.0 billion	30%
Prevention, education, & treatment	\$281 million	8%
Administration & enforcement	\$105 million	3%
Local government	\$102 million	3%
Research	\$8.4 million	0.3%
Social equity	\$1.3 million	0.04%

(FY 2015-23)

54%

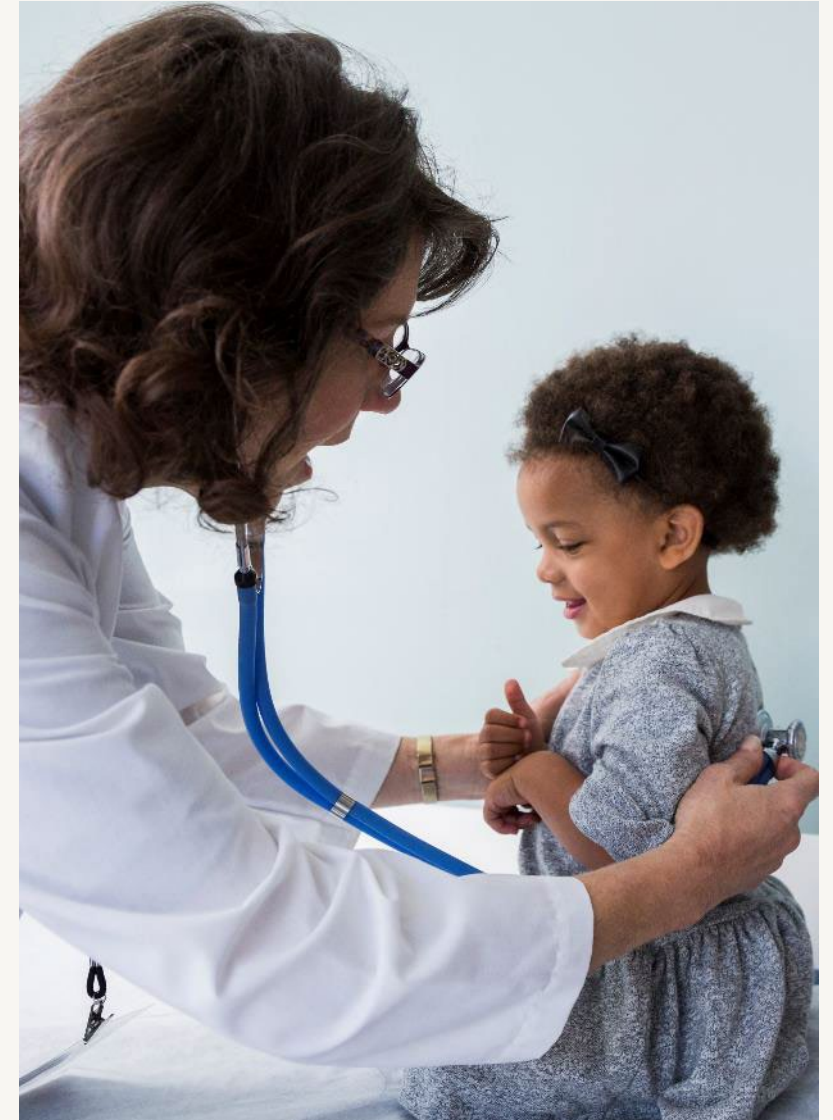
Health care for low-income children

Two appropriations to HCA

\$1.6 billion via the Basic Health Plan Trust Account

\$158 million for contracts with Community Health Centers

Both pay expenses for low-income children enrolled in Medicaid



30%

General fund



The state general fund received \$1 billion from the Account

General fund spending includes:

- Education
- Human services
- General government
- Natural resources



HCA spent \$211 million

STATUTE

Programs and services for:

- Youth substance use disorder
- Children and youth mental health
- Pregnant and parenting women

BUDGET PROVISOS

Community assistance grants

Funding to youth residential treatment centers



DOH spent \$74 million

STATUTE

Education and public health program:

- Cannabis
- Vapor products
- Tobacco

EXAMPLES

TeenLink

Media campaigns

Grants to community organizations



\$102 million distributed among 239 governments

Funds are unrestricted

JLARC staff surveyed 22 local governments that received \$200K or more in FY 2022

General government	16
Law enforcement	5
Programs addressing past cannabis laws	1

Distributions of funds from cannabis account in all years

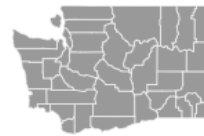
Filter by county

Filter by fiscal year

CLEAR FILTERS

	Statewide	Distribution for all counties
County distribution:	\$51,123,293	\$51,123,293
City distribution:	\$51,033,707	\$51,033,707

How distribution works: Local governments receive funds from the Dedicated Cannabis Account. **To qualify, the local government must allow cannabis businesses to operate.** Local governments share 1.5% of funds from the Dedicated Cannabis Account based on their percent of excise taxes collected. They share 3.5% based on their percent of the population. Counties receive 60% of the population-based funds while cities and towns receive 40%.



Statewide race/ethnicity average

American Indian / Alaska Native	1.18%
Asian	9.38%
Black / African American	3.84%
Hispanic / Latino	13.75%
Native Hawaiian / Pacific Islander	0.81%
Other	0.56%
Two or more races	6.63%
White	63.84%

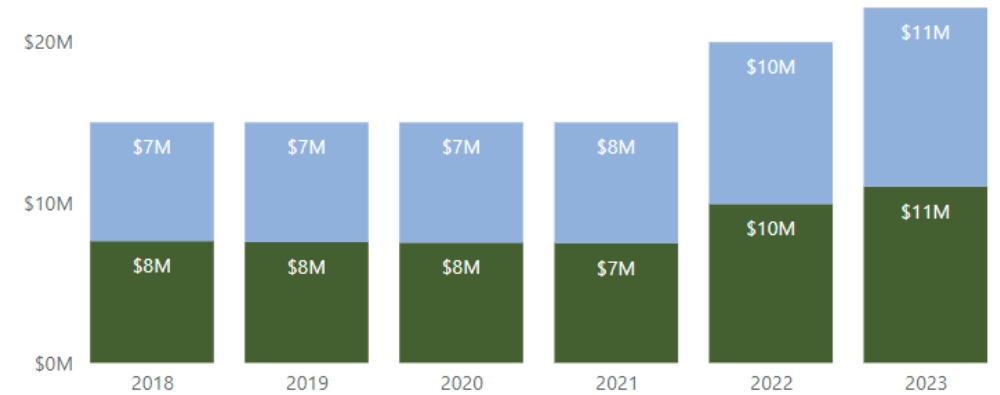
Select a county above to see race/ethnicity of residents in that county

Race/ethnicity data is from the 2020 Census. This data is provided in accordance with RCW 44.28.076.

Distributions within all counties

by fiscal year

● Cities ● Counties



County distribution

	TOTAL
King	\$14,852,295
Pierce	\$6,997,039
Snohomish	\$6,911,563
Spokane	\$3,958,073
Thurston	\$2,564,871
Kitsap	\$2,144,302
Benton	\$1,944,546
Clark	\$1,815,594
Whatcom	\$1,690,175
Skagit	\$1,034,592
Cowlitz	\$799,007
Island	\$696,686
Grant	\$651,737
Total	\$51,123,293

City distribution

	TOTAL
Seattle	\$9,313,486
Tacoma	\$3,679,711
Vancouver	\$3,162,196
Spokane	\$3,066,583
Bellevue	\$1,756,551
Renton	\$1,376,607
Everett	\$1,356,342
Bellingham	\$1,302,136
Spokane Valley	\$1,285,375
Auburn	\$1,173,512
Yakima	\$1,138,887
Kirkland	\$1,099,947
Burien	\$724,895
Total	\$51,033,707

Administration & Enforcement

\$105 million (3%)

LCB

regulates legal recreational cannabis market

Washington State Patrol
task force

Dept. of Agriculture
pesticide testing

Research

\$8 million (0.3%)

WSIPP

benefit cost analysis

HCA

substance use surveys

UW/WSU

effects of cannabis use

Social equity

\$1 million (0.04%)

Commerce

social equity technical assistance grants and roster of mentors

Appendix B: Expenditure details by entity

Basic Health Plan Trust Account

Dept. of Agriculture

Dept. of Commerce

Dept. of Ecology

Dept. of Enterprise Services

Dept. of Health

Dept. of Social and Health Services

General Fund

Health Care Authority

Liquor and Cannabis Board

Local Governments

Office of Financial Management

Office of Supt. of Public Instruction

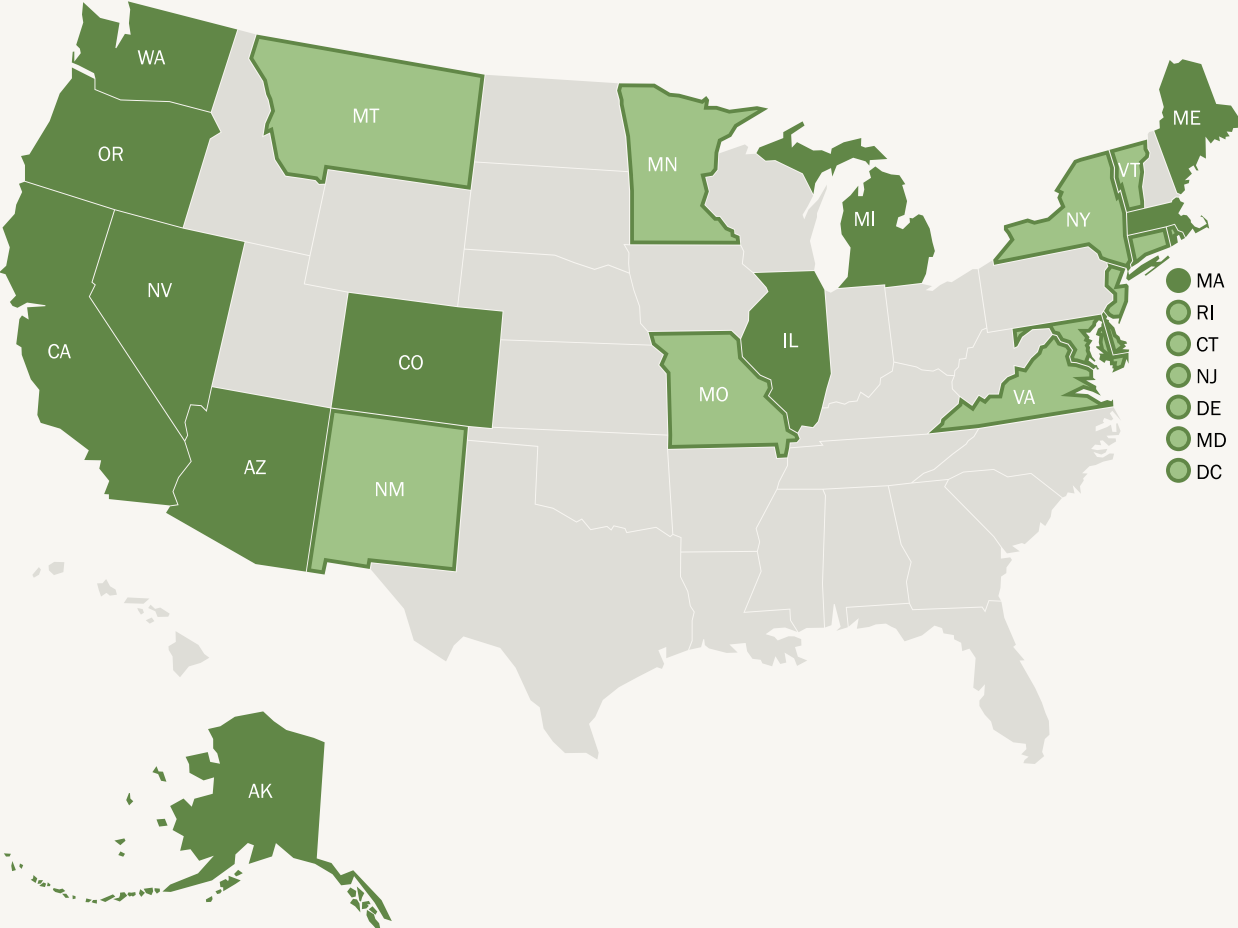
University of Washington

Washington State Patrol

Washington State University

23 states legalized recreational cannabis (as of July 2023)

10 other states collect cannabis taxes



States with legalized recreational cannabis

- No taxes collected as of FY22
- Taxes collected as of FY22

- | | |
|------------|---------------|
| Alaska | Massachusetts |
| Arizona | Michigan |
| California | Nevada |
| Colorado | Oregon |
| Illinois | Washington |
| Maine | |

No standard for how states should spend or distribute cannabis tax revenues

Presentation Overview

- How does the Legislature appropriate funds?
- How were Account revenues spent?
- What are some options to improve financial transparency?

Statutory funding formula changed eight times

Changes increased complexity

2022 Legislature:

- Simplified the formula
- Ensured entities received at least as much as they had under the prior formula

Additional clarifications may improve understanding of how the funds are spent

Current language

Funds for Basic Health Plan Trust Account are spent on children enrolled in Medicaid

Statute references the Basic Health Plan, which ended in 2014

Formula directs funds to contracts with Community Health Centers

Funds are spent on children enrolled in Medicaid

Legislature could

Combine the appropriations

and/or

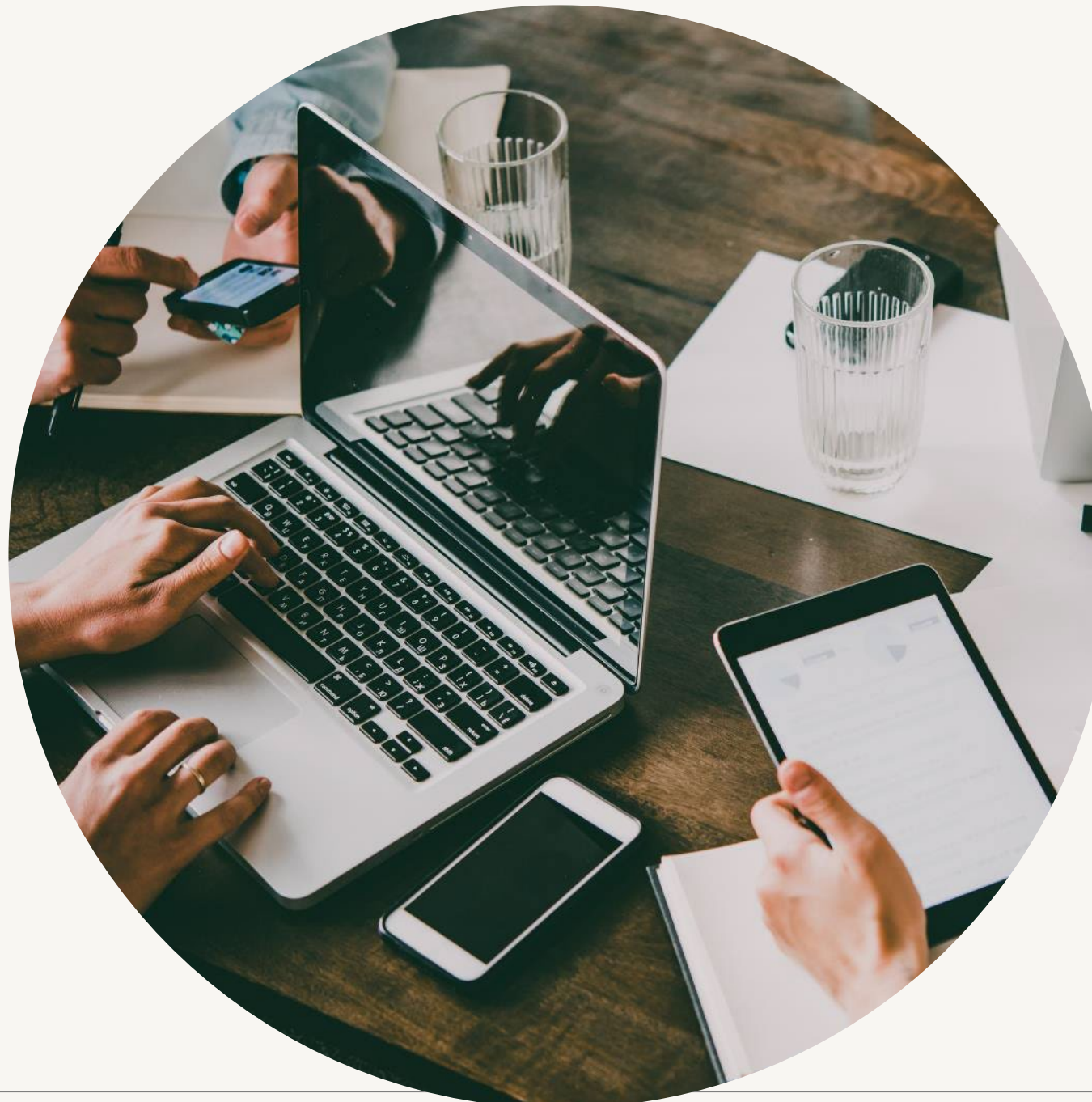
Specify that funds are intended for Medicaid

Expenditure information can be difficult to find

No entity directed to provide information

LCB and others provide information about funds from the Account

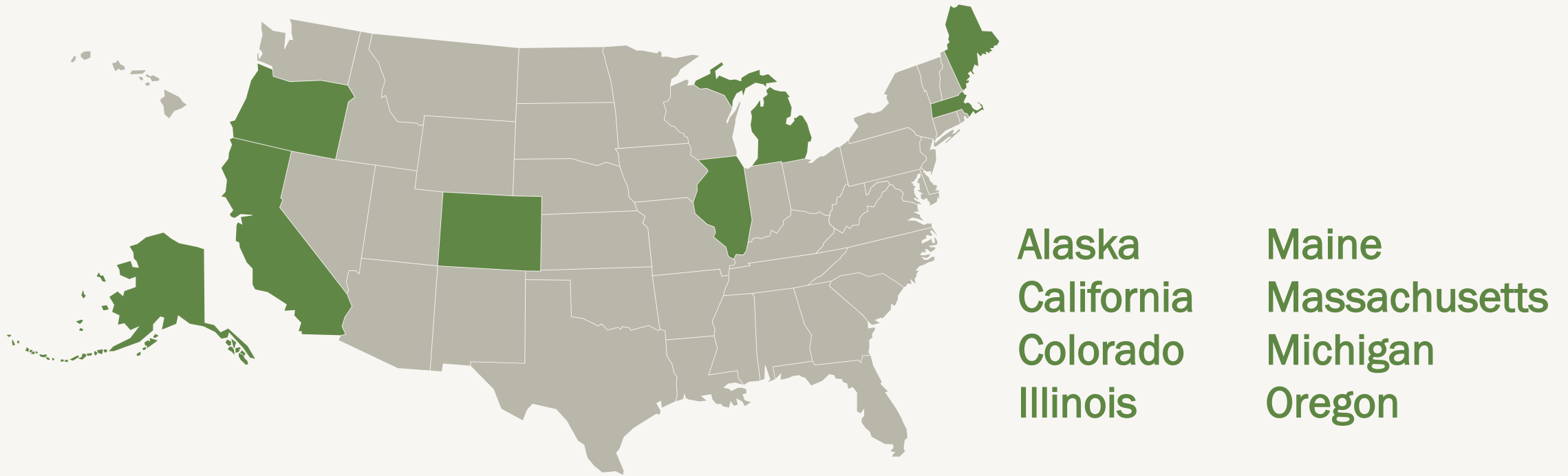
No single location for this information



Best practices for online information sharing



Other states share spending detail on a cannabis-specific website or webpage



LCB is well positioned to increase transparency of Account information

State's cannabis regulatory agency

Administers the Account

Collects excise tax revenues

Shares some information in its annual report

Maintains two webpages for cannabis business owners

Recommendation

As the administrator of the Dedicated Cannabis Account, the Liquor and Cannabis Board (LCB) should:

- **create a webpage** that provides information on cannabis revenues and expenditures.
- **consult with stakeholders**, including legislative staff, to determine the level of detail desired and the appropriate format for sharing this information.

Next Steps

Proposed Final Report January 2024

View the full report:
www.leg.wa.gov/jlarc



Video Summary



One Page Overview



Interactive Data



PDF Version

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