



Dedicated Cannabis Account appropriations and expenditures

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.

Key points

- The Dedicated Cannabis Account (Account) was created with passage of Initiative 502, which legalized recreational cannabis. It is primarily funded with excise tax revenue from retail cannabis sales.
- State and local agencies spent \$3.3 billion from the Account (fiscal years 2015 through 2023). The spending was consistent with legislative direction.
- The state spent \$1.8 billion (54% of total) on health care for low-income children. Another 12% was spent on cannabis-specific activities such as market regulation and prevention, education, and treatment. The remaining 34% went to the state general fund and local governments.
- While no entity is responsible for reporting how the funds are spent, the Liquor and Cannabis Board (LCB) has made information about revenues and major distributions available.
- There are options to clarify statute and improve transparency.

Recommendation

As the administrator of the Dedicated Cannabis Account, the Liquor and Cannabis Board (LCB) should create a webpage that provides information about cannabis revenues and expenditures.

LCB should consult with stakeholders, including legislative staff, to determine the level of detail desired and the appropriate format for sharing this information.

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Full Report leg.wa.gov/jlarc/AuditAndStudyReports

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Additional Detail

The Legislature appropriated Account funds based on a formula in statute

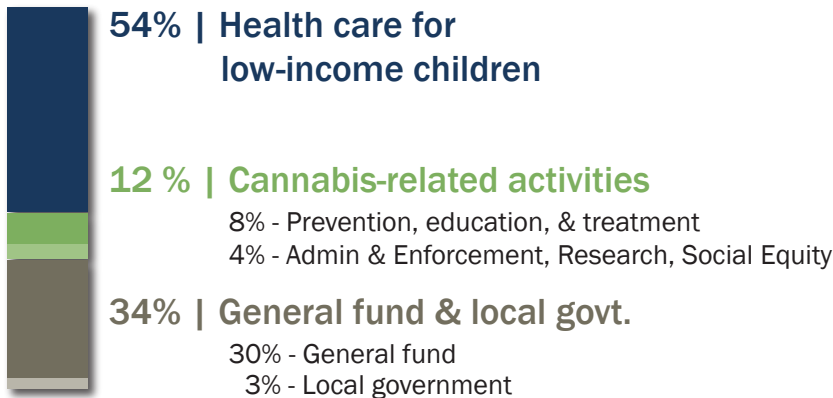
- Formula is codified in RCW 69.50.540. It has been modified eight times since I-502.
- Account funds went to thirteen state agencies, the general fund, and 239 local governments.

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Additional Detail (cont'd)

Spending from the Account was consistent with legislative direction



Source: JLARC staff analysis of agency data.
Note: Sums may not equal the totals due to rounding.

Explore the data

The full JLARC report includes detailed data about appropriations, expenditures, and distributions to local governments.

View or download the appropriation data here:

[Explore data in Appendix A](#)

leg.wa.gov/jlarc/reports/2023/cannabisRevenues/p_i/default.html#appA

Legislature simplified the statutory formula in 2022. Two additional statutory clarifications may improve understanding.

Current language

Funds for health care are spent on children enrolled in Medicaid. However, statute still references the Basic Health Plan, which ended in 2014.

The formula allocates funds for contracts with Community Health Centers. Instead, funds are spent on children enrolled in Medicaid. This may be consistent with budget direction but not statute.

Possible clarification

- The Legislature could combine the appropriations and/or specify that funds are intended for Medicaid.
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Online access to cannabis financial information could increase public transparency about appropriations and expenditures

The Liquor and Cannabis Board (LCB) and others publish cannabis financial information, but it can be difficult to find. Best practices for online information sharing include making data easily accessible.

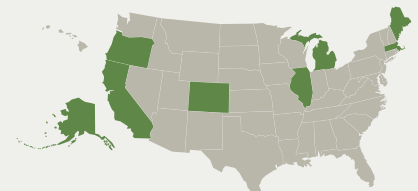
The LCB is well positioned to coordinate online access to cannabis financial information.

- It is the state's cannabis regulatory agency, administers the Account, and collects excise tax revenues.
- It already collects and shares some information about revenues and expenditures. It has two cannabis webpages for cannabis business owners.

Eight out of ten other states

that collect and distribute cannabis tax revenue make appropriation and expenditure information available to the public through a cannabis-specific website or webpage.

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AZ and NV make the financial data available in a cannabis specific report.

Note: Information as of fiscal year 2022.