

Multiple Agency Fiscal Note Summary

Bill Number: 1026 HB	Title: Privatizing liquor sales
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Estimated Cash Receipts

Agency Name	2003-05		2005-07		2007-09	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of State Treasurer	0	0	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Department of Revenue	0	0	5,503,092	5,503,092	6,111,281	6,111,281
Liquor Control Board	(250,000)	(250,000)	(23,500,000)	(636,500,000)	(29,500,000)	(655,500,000)
Total \$	(250,000)	(250,000)	(18,996,908)	(631,996,908)	(24,388,719)	(650,388,719)

Local Gov. Courts *						
Local Gov. Other **		(250,750)		(21,745,084)		(27,763,084)
Local Gov. Total		(250,750)		(21,745,084)		(27,763,084)

Estimated Expenditures

Agency Name	2003-05			2005-07			2007-09		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Liquor Control Board	.0	0	500,000	(680.0)	1,313,000	(611,687,000)	(680.0)	0	(626,000,000)
Total	0.0	\$0	\$500,000	(680.0)	\$1,313,000	\$(611,687,000)	(680.0)	\$0	\$(626,000,000)

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

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Prepared by: Tristan Wise, OFM	Phone: 360-902-0546	Date Published: Final 2/12/2003
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

Individual State Agency Fiscal Note

Bill Number: 1026 HB	Title: Privatizing liquor sales	Agency: 090-Office of State Treasurer
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2004	FY 2005	2003-05	2005-07	2007-09
General Fund-State 001-1				(1,000,000)	(1,000,000)
Total \$				(1,000,000)	(1,000,000)

Estimated Expenditures from:

	FY 2004	FY 2005	2003-05	2005-07	2007-09
Fund					
Total \$					

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: Chelsea Buchanan	Phone: (360)786-7446	Date: 01/06/2003
Agency Preparation: Dan Mason	Phone: 360-902-9090	Date: 01/25/2003
Agency Approval: Dan Mason	Phone: 360-902-9090	Date: 01/25/2003
OFM Review: Deborah Feinstein	Phone: 360-902-0614	Date: 01/27/2003

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.

HB 1026 privatizes liquor sales and eliminates State liquor stores.

Assumption:

- 1. The average daily balance decrease of the General Fund and Liquor Revolving Account will result in reduced earnings credited to the General Fund of \$ 500,000 per year.
- 2. All State liquor stores are converted to franchise liquor stores on July 1, 2005.

Earnings:

Based on the November 2002 Revenue Forecast, the net rate for estimating earnings for FY 05 is 3.37%. The rate used for FY 05 should also be used for subsequent fiscal years. Approximately \$33,700 in FY 06 in net earnings and \$5,000 in OST management fees would be lost annually for every \$1 million decrease in average daily balance.

The reduced OST management fee credited to the State Treasurer’s Service Account due to the decrease in average daily balance of the treasury will result in less money transferred to the General Fund from the State Treasurer’s Service Account at the end of the biennium.

Debt Limit:

There will be an impact on the Debt Service Limitation calculation. Any reduction to the earnings credited to the General Fund will reduce, by an equal amount, General State Revenues.

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.

HB 1026 privatizes liquor sales and eliminates State liquor stores.

Assumption:

- 1. The average daily balance decrease of the General Fund and Liquor Revolving Account will result in reduced earnings credited to the General Fund of \$ 500,000 per year.
- 2. All State liquor stores are converted to franchise liquor stores on July 1, 2005.

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.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years					
Total:					

Part IV: Capital Budget Impact

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.

Department of Revenue Fiscal Note

Bill Number: 1026 HB	Title: Privatizing liquor sales	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2004	FY 2005	2003-05	2005-07	2007-09
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax				5,503,092	6,111,281
Total \$				5,503,092	6,111,281

Estimated Expenditures from:

	FY 2004	FY 2005	2003-05	2005-07	2007-09
Fund					
Total \$					

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: Chelsea Buchanan	Phone: (360)786-7446	Date: 01/06/2003
Agency Preparation: Ray Philen	Phone: 360-570-6078	Date: 02/11/2003
Agency Approval: Don Taylor	Phone: 360-570-6083	Date: 02/11/2003
OFM Review: Tristan Wise	Phone: 360-902-0546	Date: 02/12/2003

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.

Establishes liquor "franchises" as the basis for selling spirits and strong beer, for off-premises consumption, in a geographic area designated by the Liquor Control Board (LCB).

Section 202 authorizes LCB to establish franchises for the retail sale of liquor within the state.

Section 203 authorizes LCB to establish franchises for the wholesale sale of liquor within the state

Section 204 directs LCB to establish by rule, procedures for administering liquor franchises.

Section 205 and 302 directs LCB to convert liquor sales from state liquor stores to franchised liquor sales.

Section 206 (1) eliminates the WSLCB Warehouse and directs the LCB to continue to appoint liquor vendors.

Section 210 requires that spirits, strong beer, and alcohol be located in a separate building from other retail facilities of the franchisee or be separated from the sales area of other types of merchandise and shall have a separate entrance and exit and its own point of sale.

Section 302 eliminates the LCB's ability to markup/set the price of liquor.

Section 404 sets an effective date of January 1, 2004.

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/DATA SOURCES

All state operated liquor stores and the state operated warehouse will transition to franchisees by July 1, 2005. This allows for adequate planning and avoids legal actions inherent in RCW 41.06.380.

The Seattle Distribution Center will be sold on July 1, 2005.

The 157 State Liquor Stores are all converted to Franchise Liquor Stores by July 1, 2005. Business and occupation tax will be imposed on gross sales.

The 155 Contract Liquor Stores remain as such and will not pay a franchise fee. Contract Liquor Stores will no longer be paid commissions by LCB. Business and occupation tax will be imposed on gross sales.

It is assumed that all Contract Liquor Stores will choose to remain in business.

Total liquor tax collections are unchanged.

The Liquor Control Board will continue to collect the liquor tax from the franchisee and/or liquor vendor (Contract Liquor Store), instead of having the Department of Revenue collect it.

State B & O taxes are collected at both wholesale and retail levels.

The Liquor Control Board will regulate liquor store franchisees.

AUDIT ASSESSMENTS (Impact resulting from recent audit activity)

This legislation does not result from or impact recent audits.

CURRENTLY REPORTING TAXPAYERS (Impact for taxpayers who are known or estimated to be currently paying the tax in question)

The following assumptions were used to calculate the revenue impact of the legislation:

No changes are made to liquor tax rates by this legislation, as result the only impact shown here is for business and occupation tax which would be paid on sales of liquor at the wholesale and retail levels.

This fiscal note does not reflect lost revenues due to the elimination of sales by LCB.

It is assumed there is no change in the number of outlets for liquor sales.

The amount of wholesale sales in FY 06 subject to B&O tax at the wholesaling rate is approximately \$287 million.

The amount of retail sales in FY 06 subject to the B&O tax at the retailing rate is approximately \$359 million.

Retail and wholesale sales amounts are based on recent LCB records of liquor sales and assume growth in sales and inflation of 3 percent.

The revenue impact shown here reflects a loss of B&O tax on \$17 million of commissions paid to LCB contract liquor stores.

Based on the above assumptions this legislation will result in a gain to general fund revenue of approximately \$2.6 million in fiscal year 2006.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2004	-	\$	0.0
FY 2005	-		0.7
FY 2006	-		2,591.0
FY 2007	-		2,912.0
FY 2008	-		3,007.0
FY 2009	-		3,105.0

Local Government, if applicable (cash basis, \$000): None

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.

(Contact: Jim Thomas, 570-6128)

If the Liquor Control Board continues to collect and subsequently audit for the special sales taxes (RCW 82.08.150) applied to liquor sales, the Department of Revenue would not incur any costs resulting from passage of this bill. If the Department had to perform these functions, the first biennium costs would total approximately \$70,000, and the agency would need an appropriation to cover these costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years					
Total \$					

Part IV: Capital Budget Impact

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.

None.

Individual State Agency Fiscal Note

Bill Number: 1026 HB	Title: Privatizing liquor sales	Agency: 195-Liquor Control Board
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2004	FY 2005	2003-05	2005-07	2007-09
General Fund-State 001-1		(250,000)	(250,000)	(23,500,000)	(29,500,000)
Liquor Revolving Account-State 501-1				(93,000,000)	(106,000,000)
Liquor Revolving Account-Non-Appropriated 501-6				(520,000,000)	(520,000,000)
Total \$		(250,000)	(250,000)	(636,500,000)	(655,500,000)

Estimated Expenditures from:

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years	0.0	0.0	0.0	(680.0)	(680.0)
Fund					
General Fund-State 001-1	0	0	0	1,313,000	0
Liquor Revolving Account-State 501-1	0	500,000	500,000	(93,000,000)	(106,000,000)
Liquor Revolving Account-Non-Appropriated 501-6	0	0	0	(520,000,000)	(520,000,000)
Total \$	0	500,000	500,000	(611,687,000)	(626,000,000)

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: Chelsea Buchanan	Phone: (360)786-7446	Date: 01/06/2003
Agency Preparation: Rob Kirkwood	Phone: 360-664-1690	Date: 01/07/2003
Agency Approval: Pat Kohler	Phone: 360-664-1703	Date: 01/29/2003
OFM Review: Tristan Wise	Phone: 360-902-0546	Date: 01/29/2003

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.

Significant Provisions of the Bill:

1. Eliminates State Liquor Stores. Section 205 & 302.
2. Eliminates the WSLCB Warehouse. Section 206 (1)
3. Eliminates the Board's ability to markup/set the price of liquor. Section 302
4. Franchisee sets the price of liquor. Section 302
5. Establishes Retail AND Wholesale Franchises. Section 202 & 203.
6. Establishes franchise fees Section 206 (10), and Provides that the franchisee will bid for the right. Section 101.
7. The Board shall continue to appoint liquor vendors. Section 206 (1)
8. The Board regulates the Franchisee. Section 204
9. Provisions take effect on January 1, 2004. Section 404.
10. The Board shall provide an orderly transition. Section 205.

Workload/Policy Assumptions:

1. The section requiring "an orderly transition," means all state liquor stores and the warehouse will transition to franchisees on July 1, 2005. This allows for adequate planning and avoids legal actions inherent in RCW 41.06.380.
2. Seattle Distribution Center will be sold on July 1, 2005. Proceeds used to pay-off remaining debt with excess distributed according to RCW 66.08.190.
3. The distribution function will be done by franchisees starting July 1, 2005.
4. The 157 State Liquor Stores are all converted to Franchise Liquor Stores on July 1, 2005.
5. The 155 Contract Liquor Stores remain as Contract Liquor Stores and will not pay a franchise fee. In effect, they are grandfathered in. Since the Board's markup is eliminated, Contract Liquor Stores make a profit by marking up the price of their product. Contract Liquor Stores are no longer paid commissions; they must also pay for their own freight, bags, debit/credit card transactions fees, and equipment. They will begin paying B&O tax on gross receipts, not just commissions.
6. Assumes all Contract Liquor Stores will choose to stay in business.
7. Sales volume does not increase. We have no factual basis to say that sales will increase or decrease.
8. Liquor prices do not change. At this time we have no factual basis to say that the price will increase or decrease. Therefore, total Liquor tax collections are unchanged.
9. Liquor liter and sales taxes are collected by the franchisee and the contract liquor stores (Per RCW 82.08.150).
10. The Liquor Control Board will continue to collect the liquor tax from the franchisee and/or liquor vendor (Contract Liquor Store), instead of having the Department of Revenue collect it.
11. HB 1026 would render the statutorily required discount provided in RCW 66.24.440 invalid.
12. Each franchisee will pay a franchise fee (an average of around \$81,844 per year for the 157 retail franchisees and a total of \$9.6 million for wholesale). Based on the experience with West Virginia, franchisees will not bid higher than the minimum established by the state. The fee is based on information currently available from the sales and expenses of the current locations and from information regarding the liquor industry found at the website www.bizstats.com/liquor.htm. For example, it states that the cost of goods sold is 75.5% of revenue. We assumed that a rate of return of 7% was the minimum rate that a reasonable business person would accept. (See Attachment 3 "Retail Franchise Fee- Privatization" and Attachment 4- Normalized Franchise Fee", and Attachment 5 - "Wholesale Franchise Fee") (Section 301-316)
13. No additional liquor license fee is charged.
14. Most Divisions of the agency will be eliminated or reduced. Licensing and Enforcement and agency legal expenses will be increased by 10% to cover the increased activities for licensing and enforcing the activities of the franchisees. (See Attachment 1 "WSLCB Organization Changes")
15. The Liquor Control Board will regulate the franchisee. Staff will audit the franchisees for compliance with correct tax reporting. The Board will also oversee such things as adequate record keeping, inspection of the franchisees'

facilities, and compliance of the franchisee with this title and any implementing rules.

The net cash-receipts impact of the bill to General Fund State, not including the impact from other agencies' fiscal notes, is estimated as follows:

2003-05 Biennium = (\$250,000)

2005-07 Biennium = (\$24,813,000)

2007-09 Biennium = (\$29,500,000)

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.

1. Due to the loss of liquor mark-up starting in fiscal year 2006, the amount of annual revenues which funded \$260 million used to purchase liquor (cost of goods sold) per fiscal year will be lost and the \$73 million in appropriated agency operating expenses will be lost.
2. Starting in fiscal year 2006, the loss of the agency markup will result in loss of liquor profits of \$32 million per fiscal year. This amount would have been evenly divided between the general fund and local governments. Therefore, \$16 million will be lost from the general fund each year and \$16 million from local governments (reported on local government fiscal note).
3. The warehouse will be used through June 30, 2005 so the sale will be in the 2005-2007 Biennium. Due to the market conditions in the Seattle area, the sale amount will be \$25 million with an amount owing on it at that time of \$10.5 million. The \$10.5 million will be deposited in fund 501 for the debt payment as directed by RCW 66.08.190. The remaining \$14.5 million will be distributed evenly between general fund (\$7.25 million) and local governments (\$7.25 million reported in the local government fiscal note).
4. Revenue from the wholesale and retail franchise fees will be approximately \$22.5 million. (See Attachment 3 - "Reasonable Franchise Fee-Privatization" and Attachment 5 - Wholesale Franchise Fee"). Of this amount, \$20 million will be deposited in fund 501 to fund the remaining operations of the agency and the remainder will, as directed by RCW 66.08.190, be split evenly between general fund (\$1.25 million) and local governments (\$1.25 million reported in the local government fiscal note). For fiscal year 2006, however, the cost of operating the Board will exceed the franchise fees due to unemployment compensation and annual leave buy-out in the amount of \$3,813,000. Therefore, there will be no distribution to general fund or local governments that year and the agency will need an extra \$1,313,000 from general fund to pay these extra costs.
5. Inventory in the state stores will be sold by June 30, 2005 and the remainder in the warehouse (which we have not purchased due to bailment) will be returned to the distributor so there will be no cash receipt for inventory.
6. The need in fiscal year 2005 to hire a contractor for \$500,000 will reduce the amount of liquor profits distributed to the general fund and to local governments. The result will be \$250,000 less for the general fund and \$250,000 less for local governments (reported on the local government fiscal note).

These cash receipts are shown in Attachment 2-"Net Impact - Privatizing".

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.

1. A smooth transition from state and contract liquor stores to franchises by July 1, 2005 will require a tremendous amount of expertise and time for preparation during the 2003-2005 biennium. Current staff does not have the expertise, nor will they have the time to devote to this task. Therefore, a contractor with franchise experience will need to be hired to help accomplish this transition. We are assuming that to accomplish this task, a contractor would require at least \$500,000 payable in fiscal year 2005.
2. By June 30, 2005, most of the Divisions of the WSLCB will be reduced or eliminated. Licensing, Enforcement and agency legal costs will increase by 10%. Of the agency's approximate appropriated amount of \$73 million per fiscal year

from fund 501, initially \$20 million will still be needed to fund the remaining agency operations. The \$20 million will be funded by the receipt of \$22.5 million per fiscal year of franchise fees (the extra \$2.5 million will be distributed to the general fund and local governments). For fiscal year 2006, however, the cost of operating the Board will exceed the franchise fees due to unemployment compensation and annual leave buy-out in the amount of \$3,813,000. Therefore, there will be no distribution to general fund or local governments that year and the agency will need an extra \$1,313,000 from general fund to pay these extra costs.

3. The non-appropriated amount of \$260 million per fiscal year used to purchase liquor (cost of goods sold) will no longer be needed as the Board will no longer purchase or distribute liquor products.

4. The remaining debt on the warehouse of \$10.5 million will be paid from fund 501.

5. Approximately 680 FTEs will be eliminated from this plan. The state is self-funded for unemployment. The assumption is that 12% of our laid-off employees will collect benefits for 10 weeks at an average of \$300 per week and 45% will collect an average of \$300 per week for the 30 weeks maximum. This would amount to \$3 million in fiscal year 2006.

6. When state employees leave state service they are reimbursed for their remaining annual leave. Considering that most state agencies are laying off employees, it is unlikely that many of the 680 laid-off employees from the WSLCB will go to other state jobs. Currently the average number of annual leave hours per employee is 93. The assumption is that 78% or 530 employees will leave state service. The average hourly wage in the agency is \$16.50 per hour. The annual leave buy-out would equal \$813,000 in expenditures in fiscal year 2006.

These expenditures are shown in Attachment 2 - "Net Impact -Privatizing".

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years				(680.0)	(680.0)
A-Salaries and Wages				(39,750,000)	(39,750,000)
B-Employee Benefits				(9,437,000)	(13,250,000)
C-Personal Service Contracts		500,000	500,000		
E-Goods and Services				(573,000,000)	(573,000,000)
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service				10,500,000	
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	\$0	\$500,000	\$500,000	(\$611,687,000)	\$(626,000,000)

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 2004	FY 2005	2003-05	2005-07	2007-09
Various	29,228				(680.0)	(680.0)
Total FTE's					(680.0)	(680.0)

Part IV: Capital Budget Impact

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 Rule Making will be required to incorporate franchise language in all applicable existing rules that will still apply plus any new rules. (Section 204)

ATTACHMENT 1
WSLCB
Organization Changes
Assuming Privatization
Senate Bill 5036/House Bill 1026

			FTEs							
Prog	PIC	Description	FY 2004	FY 2005	FUND TOTALS	Dollars Remaining after Privatization	FTEs Remaining after Privatization	Dollars Increased or Decreased due to Privatization	FTEs Increased or Decreased due to Privatization	Percent Reduction or Increase
010	A0000	Board Program								
		Board Services								
	A1100	Board Administrative Services	3.80	3.80	\$684,092	684,092	3.80	0	0.00	0%
	A1200	Board Fund-Discretionary	0.00	0.00	200,000	200,000	0.00	0	0.00	0%
		Sub-Total	3.80	3.80	884,092	884,092	3.80	0	0.00	
		Policy, Legislative & Media Services								
	A2100	PLMR Section	4.00	4.00	644,202	644,202	4.00	0	0.00	0%
		Sub-Total	4.00	4.00	644,202	644,202	4.00	0	0.00	
		Administrative Director Services								
	A3100	Administrative Director	2.00	2.00	338,971	338,971	2.00	0	0.00	0%
	A3200	Quality Initiatives Office	0.00	0.00	(1,181)	-1,181	0.00	0	0.00	
	A3300	Savings Incentive Program	0.00	0.00	0	0	0.00	0	0.00	
			2.00	2.00	337,790	337,790	2.00	0	0.00	
		Human Resource Services								
	A4100	Human Resources	9.00	9.00	1,435,139	717,570	4.50	(717,570)	(4.50)	-50%
	A4210	Training Program Development	1.00	1.00	142,754	71,377	0.50	(71,377)	(0.50)	-50%

Prog	PIC	Description	FY 2004	FY 2005	FUND TOTALS	Dollars Remaining after Privatization	FTEs Remaining after Privatization	Dollars Increased or Decreased due to Privatization	FTEs Increased or Decreased due to Privatization	Percent Reduction or Increase
020	A4220	Core Training Costs	0.00	0.00	71,277	35,639	0.00	(35,639)	0.00	-50%
	A4310	Industrial Insurance Premium	0.00	0.00	0	0	0.00	0	0.00	
	Sub-total		10.00	10.00	1,649,170	824,585	5.00	(824,585)	(5.00)	
	Legal Services									10%
	A5110	Attorney General	0.00	0.00	1,318,795	1,450,675	0.00	131,880	0.00	
	AG Cigarette/Tobacco Tax Enforment- This PI									
	A5120	will receive the GF-S from PI A5110.	0.00	0.00	295,344	324,878	0.00	29,534	0.00	
	A5200	Administrative Hearings	0.00	0.00	408,894	449,783	0.00	40,889	0.00	
	Sub-total		0.00	0.00	2,023,033	2,225,336	0.00	202,303	0.00	
	Excess FTE/Appropriation		0.00	0.00	0				0.00	
	PROGRAM 010 TOTAL		19.80	19.80	5,538,287	4,916,005	14.80	(622,282)	(5.00)	
	Administrative Services Program									
	Finance Division									
	B1100	Director's Office	2.00	2.00	324,305	324,305	2.00	0	0.00	0%
	B1200	Budget Initiatives Office	2.00	2.00	299,629	299,629	2.00	0	0.00	0%
	B1300	Accounting Services	19.00	19.00	1,748,875	1,311,656	14.25	(437,219)	(4.75)	-25%
	B1400	Support Services	15.00	15.00	1,447,496	1,085,622	11.25	(361,874)	(3.75)	-25%
	B1510	Audit Services & Manager	10.00	10.00	1,214,736	1,214,736	10.00	0	0.00	0%
	B1520	Loss Prevention Services	13.00	13.00	1,207,456	0	0.00	(1,207,456)	(13.00)	-100%
	Sub-Total		61.00	61.00	6,242,497	4,235,948	39.50	(2,006,549)	(21.50)	

Prog	PIC	Description	FY 2004	FY 2005	FUND TOTALS	Dollars Remaining after Privatization	FTEs Remaining after Privatization	Dollars Increased or Decreased due to Privatization	FTEs Increased or Decreased due to Privatization	Percent Reduction or Increase
		WSLCB Costs								
	B2100	Revolving Fund Charges	0.00	0.00	860,632	860,632	0.00	0	0.00	0%
	B2200	Facilities & WSLCB Motor Pool	0.00	0.00	2,006,550	2,006,550	0.00	0	0.00	0%*See note 1
	B2300	Data Processing Services	0.00	0.00	564,512	564,512	0.00	0	0.00	0%
	B2400	Allocated Indirect Cost	0.00	0.00	0	0	0.00	0	0.00	0%
	B2500	Vehicle Replacement - Proviso	0.00	0.00	0	0	0.00	0	0.00	0%
	B2600	Bank of NY Reimbursements	0.00	0.00	0	0	0.00	0	0.00	0%
		Sub-Total	0.00	0.00	3,431,694	3,431,694	0.00	0	0.00	
	B9900	Excess FTE/Appropriation			0					
		PROGRAM 020 TOTAL	61.00	61.00	9,674,191	7,667,642	39.50	(2,006,549)	(21.50)	
040	D0000	Liquor Purchasing & Distribution Program								
		Liquor Purchasing Division								
	D1100	Liquor Purchasing Services	11.50	11.50	1,126,388	0	0.00	(1,126,388)	(11.50)	-100%
	D1200	Wine Program	1.00	1.00	139,893	0	0.00	(139,893)	(1.00)	-100%
		Sub-Total	12.50	12.50	1,266,281	0	0.00	(1,266,281)	(12.50)	
		Distribution Services Division								
	D2110	Seattle Distribution Operation	58.00	58.00	6,055,543	0	0.00	(6,055,543)	(58.00)	-100%
	D2120	Temporary Auburn Dist.Ctr-	0.00	0.00	90,000	0	0.00	(90,000)	0.00	-100%

Prog	PIC	Description	FY 2004	FY 2005	FUND TOTALS	Dollars Remaining after Privatization	FTEs Remaining after Privatization	Dollars Increased or Decreased due to Privatization	FTEs Increased or Decreased due to Privatization	Percent Reduction or Increase
	D2210	Base COP Payments	0.00	0.00	5,711,100	0	0.00	(5,711,100)	0.00	-100%
	D2220	Early Redemption Payments	0.00	0.00	549,900	0	0.00	(549,900)	0.00	-100%
		Sub-Total	58.00	58.00	12,406,543	0	0.00	(12,406,543)	(58.00)	
		Retail Services Division								
	D3100	Administration	4.00	4.00	671,151	671,151	4.00	0	0.00	0%
	D3200	Store Development & Maintenance	5.00	5.00	1,187,774	0	0.00	(1,187,774)	(5.00)	-100%
	D3300	State Liquor Stores and DM's	583.90	583.90	72,378,183	3,600,000	11.00	(68,778,183)	(572.90)	*Only DMs Remain- See note 2
	D3400	Contract Liquor Stores-Appropriated	0.00	0.00	449,688	0	0.00	(449,688)	0.00	
	D3500	Military and Tribal	0.00	0.00	0		0.00	0	0.00	
		Sub-Total	592.90	592.90	74,686,796	4,271,151	15.00	(70,415,645)	(577.90)	
		Contract Liquor Stores-Non appropriated								
	D4100	Non-appropriated Commissions	0.00	0.00	16,994,000	0	0.00	(16,994,000)	0.00	-100%
		Sub-Total	0.00	0.00	16,994,000	0	0.00	(16,994,000)	0.00	
		Excess FTE/Appropriation	0.00	0.00	0					
		PROGRAM 040 TOTAL	663.40	663.40	105,353,620	4,271,151	15.00	(101,082,469)	(648.40)	
050	E0000	Regulatory Services Program								
	E1100	Administration	3.00	3.00	518,314	570,145	3.30	51,831	0.30	10%
	E2100	Customer Service Unit	5.00	5.00	420,940	463,034	5.50	42,094	0.50	10%
	E2200	License Investigation Unit	15.00	15.00	1,296,111	1,425,722	16.50	129,611	1.50	10%

Prog	PIC	Description	FY 2004	FY 2005	FUND TOTALS	Dollars Remaining after Privatization	FTEs Remaining after Privatization	Dollars Increased or Decreased due to Privatization	FTEs Increased or Decreased due to Privatization	Percent Reduction or Increase
	E2300	License Processing Unit	9.00	9.00	758,417	834,259	9.90	75,842	0.90	10%
	E2400	Administration	1.00	1.00	122,849	135,134	1.10	12,285	0.10	10%
	E3100	MIW Compliance Unit	3.00	3.00	270,511	297,562	3.30	27,051	0.30	10%
	E3200	MIW Enforcement Unit	4.00	4.00	502,264	552,490	4.40	50,226	0.40	10%
	E3300	MIW Administration	3.00	3.00	358,741	394,615	3.30	35,874	0.30	10%
	E9900	Excess FTE/Appropriation	0.00	0.00	0	0	0.00	0	0.00	
		PROGRAM 050 TOTAL	43.00	43.00	4,248,147	4,672,962	47.30	424,815	4.30	
060	F0000	Enforcement Program								
		Enforcement & Education								
	F1100	General Enforcement Activities	84.50	84.50	10,452,850	11,498,135	92.95	1,045,285	8.45	10%
	F1210	Community Policing	0.00	0.00	0	0	0.00	0	0.00	10%
	F1220	New Agent Training	0.00	0.00	106,000	116,600	0.00	10,600	0.00	10%
		Sub-Total	84.50	84.50	10,558,850	11,614,735	92.95	1,055,885	8.45	
		Interagency Grants (FTEs from existing FTEs)	0.00	0.00				0	0.00	
	F2110	2001-03 Youth Prevention Agreement-DOH	0.00	0.00	0			0	0.00	
	F2120	WashTraffic Safety Commission-Ruad-FY 02	0.00	0.00	0			0	0.00	
	F2130	WashTraffic Safety Commission-Ruad-FY 03	0.00	0.00	0			0	0.00	
		Sub-Total	0.00	0.00	0			0	0.00	
		Private/Local Grants (FTEs from existing FTEs)								
	F2210	NABCA Educational Awards	0.00	0.00	0			0	0.00	
	F2220	DASA Poster Contest Award	0.00	0.00	0			0	0.00	
	F2230	King County Poster Contest Award	0.00	0.00	0			0	0.00	

Prog	PIC	Description	FY 2004	FY 2005	FUND TOTALS	Dollars Remaining after Privatization	FTEs Remaining after Privatization	Dollars Increased or Decreased due to Privatization	FTEs Increased or Decreased due to Privatization	Percent Reduction or Increase
	F2240	DOH Poster Contest Award	0.00	0.00	0			0	0.00	
	F2210	NABCA Educational Awards	0.00	0.00	0			0	0.00	
		Sub-Total	0.00	0.00	0			0	0.00	
		Tobacco Tax Enforcement								
	F3100	Tobacco Tax Enforcement	18.00	18.00	2,609,656	2,609,656	18.00	0	0.00	0%
	F3200	Federal Asset Sharing	0.00	0.00	0		0.00	0	0.00	
	F3300	Seizure Costs	0.00	0.00	0		0.00	0	0.00	
		Sub-Total	18.00	18.00	2,609,656	2,609,656	18.00	0	0.00	
		Excess FTE/Appropriation	1.50	1.50	0		1.65			
		PROGRAM 060 TOTAL	104.00	104.00	13,168,506	14,224,391	112.60	1,055,885	8.45	
070	G0000	Information Technology Services Program								
	G1100	Administration Services	3.00	3.00	387,436	193,718	1.50	(193,718)	(1.50)	-50%
	G2100	Network Services Section	5.00	5.00	1,172,176	586,088	2.50	(586,088)	(2.50)	-50%
	G3100	Application Services Section	12.50	12.50	1,856,101	928,051	6.25	(928,051)	(6.25)	-50%
	G4100	Customer Services	13.90	13.90	1,620,600	810,300	6.95	(810,300)	(6.95)	-50%
	G5100	Consulting Services	1.00	1.00	173,824	86,912	0.50	(86,912)	(0.50)	-50%
	G6100	Project Managment Section	1.00	1.00	177,556	88,778	0.50	(88,778)	(0.50)	-50%
		Sub-Total	36.40	36.40	5,387,693	2,693,847	18.20	(2,693,847)	(18.20)	
		Special Projects								
	G7100	Technology Maintenance DP-Proviso	0.00	0.00	542,000	271,000	0.00	(271,000)	0.00	-50%

Prog	PIC	Description	FY 2004	FY 2005	FUND TOTALS	Dollars Remaining after Privatization	FTEs Remaining after Privatization	Dollars Increased or Decreased due to Privatization	FTEs Increased or Decreased due to Privatization	Percent Reduction or Increase
	G7200	Merchandising Business System DP-Proviso	0.00	0.00	418,000	209,000	0.00	(209,000)	0.00	-50%
	G7300	Transition Training DP-Proviso	0.00	0.00	0	0	0.00	0	0.00	-50%
	G7400	Carry Forward Technolgy Maintenance	0.00	0.00	861,556	430,778	0.00	(430,778)	0.00	-50%
		Sub-Total	0.00	0.00	1,821,556	910,778	0.00	(910,778)	0.00	
		Excess FTE/Appropriation	1.00	0.00	0		0.00			
		PROGRAM 070 TOTAL	37.40	36.40	7,209,249	3,604,625	18.20	(3,604,625)	(18.20)	
		AGENCY TOTAL	928.60	927.60	145,192,000	39,356,776	247.40	(105,835,224)	(680.35)	

Note 1: We are assuming no decrease in the motor pool because the retail stores do not have their own vehicles. The district managers do have vehicles but they will need them to use in their jobs overseeing the franchisee functions.

Note 2: DM's are District Managers. Their jobs will be retained to provide the oversight function of the franchisees.

Attachment 2
WSLCB
NET IMPACT-PRIVATIZING
HB 1026

Cash Receipts	Rev	2001-03 Biennium		2003-05 Biennium		2005-07 Biennium		2007-09 Biennium	
Fund	Source	FY2002	FY 2003	FY2004	FY2005	FY 2006	FY 2007	FY 2008	FY 2009
GF-State	04-55	0	0	0	(250,000)	(8,750,000)	(14,750,000)	(14,750,000)	(14,750,000)
Liquor Revolving Account-1	04-55	0	0	0	0	(40,000,000)	(53,000,000)	(53,000,000)	(53,000,000)
Liquor Revolving Account-X	04-55	0	0	0	0	(260,000,000)	(260,000,000)	(260,000,000)	(260,000,000)
Total		\$0	\$0	\$0	(\$250,000)	(\$308,750,000)	(\$327,750,000)	(\$327,750,000)	(\$327,750,000)

Estimated Expenditures		2001-03 Biennium		2003-05 Biennium		2005-07 Biennium		2007-09 Biennium	
Fund		FY2002	FY 2003	FY2004	FY2005	FY 2006	FY 2007	FY 2008	FY 2009
GF-State		0	0	0	0	1,313,000	0	0	0
Liquor Revolving Account-1		0	0	0	500,000	(40,000,000)	(53,000,000)	(53,000,000)	(53,000,000)
Liquor Revolving Account-X		0	0	0	0	(260,000,000)	(260,000,000)	(260,000,000)	(260,000,000)
Total		\$0	\$0	\$0	\$500,000	(\$298,687,000)	(\$313,000,000)	(\$313,000,000)	(\$313,000,000)

Net Cash Impact		2001-03 Biennium		2003-05 Biennium		2005-07 Biennium		2007-09 Biennium	
Fund		FY2002	FY 2003	FY2004	FY2005	FY 2006	FY 2007	FY 2008	FY 2009
GF-State		0	0	0	(250,000)	(10,063,000)	(14,750,000)	(14,750,000)	(14,750,000)
Liquor Revolving Account-1		0	0	0	(500,000)	0	0	0	0
Liquor Revolving Account-X		0	0	0	0	0	0	0	0
Total		\$0	\$0	\$0	(\$750,000)	(\$10,063,000)	(\$14,750,000)	(\$14,750,000)	(\$14,750,000)

The cash receipts and estimated expenditures on this page are a roll-up of pages 3-5 of this attachment.

BUILDING BLOCKS OF ANALYSIS

Step 1: Existing situation

Current	2001-03 Biennium		2003-05 Biennium		2005-07 Biennium		2007-09 Biennium	
	FY2002	FY 2003	FY2004	FY2005	FY 2006	FY 2007	FY 2008	FY 2009
Net Sales Revenue From Markup)	\$365,000,000	\$365,000,000	\$365,000,000	\$365,000,000	\$365,000,000	\$365,000,000	\$365,000,000	\$365,000,000
Less:								
Cost of Goods Sold	260,000,000	260,000,000	260,000,000	260,000,000	260,000,000	260,000,000	260,000,000	260,000,000
Operating Expenses	73,000,000	73,000,000	73,000,000	73,000,000	73,000,000	73,000,000	73,000,000	73,000,000
Net Profit	\$32,000,000	\$32,000,000	\$32,000,000	\$32,000,000	\$32,000,000	\$32,000,000	\$32,000,000	\$32,000,000

Step 2: Eliminating Markup, therefore ability to fund the LCB

Revenue is lost and so is the ability to fund WSLCB

Cash Receipts	Rev	2001-03 Biennium		2003-05 Biennium		2005-07 Biennium		2007-09 Biennium	
Fund	Source	FY2002	FY 2003	FY2004	FY2005	FY 2006	FY 2007	FY 2008	FY 2009
GF-State	04-55	0	0	0	0	(16,000,000)	(16,000,000)	(16,000,000)	(16,000,000)
Liquor Revolving Account-1	04-55	0	0	0	0	(73,000,000)	(73,000,000)	(73,000,000)	(73,000,000)
Liquor Revolving Account-X	04-55	0	0	0	0	(260,000,000)	(260,000,000)	(260,000,000)	(260,000,000)
Total		\$0	\$0	\$0	\$0	(\$349,000,000)	(\$349,000,000)	(\$349,000,000)	(\$349,000,000)

Estimated Expenditures		2001-03 Biennium		2003-05 Biennium		2005-07 Biennium		2007-09 Biennium	
Fund		FY2002	FY 2003	FY2004	FY2005	FY 2006	FY 2007	FY 2008	FY 2009
GF-State		0	0	0	0	0	0	0	0
Liquor Revolving Account-1		0	0	0	0	(73,000,000)	(73,000,000)	(73,000,000)	(73,000,000)
Liquor Revolving Account-X		0	0	0	0	(260,000,000)	(260,000,000)	(260,000,000)	(260,000,000)
Total		\$0	\$0	\$0	\$0	(\$333,000,000)	(\$333,000,000)	(\$333,000,000)	(\$333,000,000)

Step 3: Establishing Franchises and funding remaining Operations

Revenue from franchise fees of \$22.5 million/year pays for WSLCB operation of \$20 million/year (see Attachment 1- "WSLCB Organization Changes")

Cash Receipts	Rev Source	2001-03 Biennium		2003-05 Biennium		2005-07 Biennium		2007-09 Biennium	
Fund		FY2002	FY 2003	FY2004	FY2005	FY 2006	FY 2007	FY 2008	FY 2009
GF-State	02-05	0	0	0	(250,000)		1,250,000	1,250,000	1,250,000
Liquor Revolving Account-1		0	0	0		22,500,000	20,000,000	20,000,000	20,000,000
Liquor Revolving Account-X		0	0	0	0	0	0	0	0
Total		\$0	\$0	\$0	(\$250,000)	\$22,500,000	\$21,250,000	\$21,250,000	\$21,250,000

Revenue from franchise fees of \$22.5 million/year pays for WSLCB operation of \$20 million/year (see See Attachment 1-"WSLCB Organization Changes") except for \$3 million in FY2006 for unemployment costs and \$813,000 in annual leave buy-out (see unemployment & annual leave buy-out below) General Fund must subsidize remainder.

Estimated Expenditures		2001-03 Biennium		2003-05 Biennium		2005-07 Biennium		2007-09 Biennium	
Fund		FY2002	FY 2003	FY2004	FY2005	FY 2006	FY 2007	FY 2008	FY 2009
GF-State		0	0	0	0	1,313,000	0	0	0
Liquor Revolving Account-1		0	0	0	500,000	22,500,000	20,000,000	20,000,000	20,000,000
Liquor Revolving Account-X		0	0	0	0	0	0	0	0
Total		\$0	\$0	\$0	\$500,000	\$23,813,000	\$20,000,000	\$20,000,000	\$20,000,000

Step 4: Selling the Seattle Distribution Center

Sold for \$25 million. Remaining debt on July 1, 2005 is \$10.5 million

Cash Receipts	Rev	2001-03 Biennium		2003-05 Biennium		2005-07 Biennium		2007-09 Biennium	
Fund	Source	FY2002	FY 2003	FY2004	FY2005	FY 2006	FY 2007	FY 2008	FY 2009
Local Government	0703	0	0	0	0	7,250,000	0	0	0
GF-State		0	0	0	0	7,250,000	0	0	0
Liquor Revolving Account-1		0	0	0	0	10,500,000	0	0	0
Liquor Revolving Account-X		0	0	0	0	0	0	0	0
Total		\$0	\$0	\$0	\$0	\$25,000,000	\$0	\$0	\$0

Estimated Expenditures		2001-03 Biennium		2003-05 Biennium		2005-07 Biennium		2007-09 Biennium	
Fund		FY2002	FY 2003	FY2004	FY2005	FY 2006	FY 2007	FY 2008	FY 2009
Local Government		0	0	0	0	0	0	0	0
GF-State		0	0	0	0	0	0	0	0
Liquor Revolving Account-1		0	0	0	0	10,500,000	0	0	0
Liquor Revolving Account-X		0	0	0	0	0	0	0	0
Total		\$0	\$0	\$0	\$0	\$10,500,000	\$0	\$0	\$0

Step 5: Other expenses (unemployment, etc)

Annual leave buy-out: 530 employees with an average of 93 annual leave hours apiece at an average wage of \$16.50 per hour equals \$813,000.
Unemployment: 10% of the 680 laid-off workers will receive unemployment for 10 weeks and 45% will receive for the 30 weeks maximum. The average weekly amount is \$300.

Estimated Expenditures		2001-03 Biennium		2003-05 Biennium		2005-07 Biennium		2007-09 Biennium	
Fund		FY2002	FY 2003	FY2004	FY2005	FY 2006	FY 2007	FY 2008	FY 2009
GF-State		0	0	0	0	1,313,000	0	0	0
Liquor Revolving Account-1		0	0	0	0	2,500,000	0	0	0
Liquor Revolving Account-X		0	0	0	0	0	0	0	0
Total		\$0	\$0	\$0	\$0	\$3,813,000	\$0	\$0	\$0

RETAIL FRANCHISE FEE-PRIVATIZATION
Annual Amounts from Fiscal Year 2001

Annual Amounts from Fiscal Year 2001								EXPENSES			7%	
OUTLET #	LOCATION	COUNTY	COUNTY	WSLCB Figures from FY 2001				75.50%	13.00%		Franchisees' Net Income	Net Income %
		Gross Sales		Discounts	Liquor Taxes	REVENUE "Net Sales"	Cost of Goods Sold	All Other Expenses Except Franchise Fee	Franchise Fee			
STATE LIQUOR STORES:												
1	Seattle	1726	King	\$1,238,369	\$43,427	\$335,833	\$859,109	\$648,628	\$111,684	\$38,660	\$60,138	7.00%
2	Seattle	1726	King	1,318,963	31,447	357,689	929,827	702,019	120,877	41,842	65,088	7.00%
4	Tacoma	2717	Pierce	2,467,559	263,663	669,177	1,534,720	1,158,713	199,514	69,062	107,430	7.00%
6	Everett	3105	Snohomish	1,636,955	84,218	443,925	1,108,811	837,153	144,145	49,897	77,617	7.00%
7	Yakima	3913	Yakima	2,977,961	170,104	807,593	2,000,265	1,510,200	260,034	90,012	140,019	7.00%
8	Aberdeen	1401	Grays Harbor	2,746,268	135,334	744,760	1,866,174	1,408,962	242,603	83,978	130,632	7.00%
9	Walla Walla	3604	Walla Walla	1,255,960	45,248	340,603	870,108	656,932	113,114	39,155	60,908	7.00%
10	Vancouver	605	Clark	2,610,668	192,436	707,986	1,710,245	1,291,235	222,332	76,961	119,717	7.00%
11	Olympia	3403	Thurston	3,282,064	187,427	890,062	2,204,575	1,664,454	286,595	99,206	154,320	7.00%
12	Wenatchee	405	Chelan	2,738,389	118,891	742,623	1,876,875	1,417,040	243,994	84,459	131,381	7.00%
13	Longview	804	Cowlitz	2,353,710	148,837	638,302	1,566,571	1,182,761	203,654	70,496	109,660	7.00%
14	Port Angeles	502	Clallam	2,855,720	102,754	774,442	1,978,524	1,493,786	257,208	89,034	138,497	7.00%
16	Centralia	2101	Lewis	1,726,128	83,504	468,108	1,174,516	886,759	152,687	52,853	82,216	7.00%
18	Mt. Vernon	2907	Skagit	2,616,537	128,370	709,578	1,778,589	1,342,835	231,217	80,036	124,501	7.00%
19	Clarkston	202	Asotin	940,478	56,341	255,048	629,088	474,962	81,781	28,309	44,036	7.00%
20	Woodinville	1735	King	2,838,468	85,725	769,763	1,982,980	1,497,150	257,787	89,234	138,809	7.00%
21	Ellensburg	1902	Kittitas	2,170,973	101,667	588,746	1,480,560	1,117,823	192,473	66,625	103,639	7.00%
22	Seattle	1726	King	4,436,100	249,296	1,203,025	2,983,779	2,252,753	387,891	134,270	208,865	7.00%
23	Puyallup	2711	Pierce	3,254,845	139,496	882,681	2,232,669	1,685,665	290,247	100,470	156,287	7.00%
24	Anacortes	2901	Skagit	2,333,231	82,704	632,748	1,617,778	1,221,423	210,311	72,800	113,244	7.00%
25	Renton	1725	King	4,812,837	228,479	1,305,192	3,279,166	2,475,770	426,292	147,562	229,542	7.00%
26	Chehalis	2102	Lewis	1,209,900	38,032	328,112	843,756	637,035	109,688	37,969	59,063	7.00%
27	Kelso	803	Cowlitz	1,326,132	67,218	359,633	899,281	678,957	116,907	40,468	62,950	7.00%
28	Seattle	1726	King	7,147,808	801,161	1,938,412	4,408,235	3,328,217	573,071	198,371	308,576	7.00%
29	Puyallup	2711	Pierce	1,761,865	88,905	477,800	1,195,161	902,346	155,371	53,782	83,661	7.00%
30	Shelton	2301	Mason	2,442,139	118,394	662,283	1,661,462	1,254,404	215,990	74,766	116,302	7.00%
31	Port Townsend	1601	Jefferson	1,701,795	57,858	461,509	1,182,427	892,733	153,716	53,209	82,770	7.00%
32	Enumclaw	1711	King	1,564,665	64,044	424,321	1,076,300	812,606	139,919	48,433	75,341	7.00%
33	Redmond	1724	King	4,546,142	169,413	1,232,867	3,143,862	2,373,616	408,702	141,474	220,070	7.00%
34	Auburn	1702	King	2,037,717	134,367	552,608	1,350,743	1,019,811	175,597	60,783	94,552	7.00%
35	Pasco	1104	Franklin	2,336,299	82,644	633,580	1,620,074	1,223,156	210,610	72,903	113,405	7.00%
37	Arlington	3101	Snohomish	1,365,585	45,526	370,333	949,727	717,044	123,464	42,738	66,481	7.00%
39	Colville	3302	Stevens	903,823	26,930	245,107	631,785	476,998	82,132	28,430	44,225	7.00%
40	Spokane	3210	Spokane	4,344,021	161,565	1,178,054	3,004,402	2,268,323	390,572	135,198	210,308	7.00%
42	Seattle	1726	King	2,033,231	38,721	551,391	1,443,119	1,089,555	187,605	64,940	101,018	7.00%
43	Seattle	1726	King	3,640,966	186,365	987,393	2,467,209	1,862,743	320,737	111,024	172,705	7.00%
44	Spokane	3210	Spokane	1,946,251	225,303	527,803	1,193,145	900,825	155,109	53,692	83,520	7.00%

Retail Franchise Fee

OUTLET #	LOCATION	COUNTY	COUNTY	WSLCB Figures from FY 2001				75.50%	13.00%	Franchise Fee	Franchisees' Net Income	Net Income %
		CODE		Gross Sales	Discounts	Liquor Taxes	REVENUE "Net Sales"	Cost of Goods Sold	All Other Expenses Except Franchise Fee			
45	Seattle	1726	King	3,775,516	259,487	1,023,881	2,492,148	1,881,572	323,979	112,147	174,450	7.00%
46	Seattle	1726	King	8,485,609	1,149,980	2,301,210	5,034,419	3,800,986	654,474	226,549	352,409	7.00%
47	Seattle	1726	King	3,811,403	171,055	1,033,613	2,606,735	1,968,085	338,876	117,303	182,471	7.00%
48	Bellingham	3701	Whatcom	1,880,671	151,902	510,019	1,218,750	920,156	158,438	54,844	85,313	7.00%
49	Pullman	3812	Whitman	1,713,747	67,429	464,751	1,181,567	892,083	153,604	53,171	82,710	7.00%
51	Spokane	3210	Spokane	1,952,367	88,536	529,462	1,334,370	1,007,449	173,468	60,047	93,406	7.00%
52	Puyallup	2720	Pierce	2,157,230	87,463	585,019	1,484,749	1,120,985	193,017	66,814	103,932	7.00%
53	Seattle	1700	King	3,073,127	94,631	833,401	2,145,096	1,619,547	278,862	96,529	150,157	7.00%
55	Seattle	1726	King	4,129,737	145,328	1,119,942	2,864,466	2,162,672	372,381	128,901	200,513	7.00%
56	Spokane	3232	Spokane	1,882,236	58,838	510,443	1,312,955	991,281	170,684	59,083	91,907	7.00%
57	Kirkland	1716	King	4,348,030	301,389	1,179,141	2,867,499	2,164,962	372,775	129,037	200,725	7.00%
58	Bremerton	1801	Kitsap	2,451,021	116,182	664,692	1,670,148	1,260,962	217,119	75,157	116,910	7.00%
60	Bonney Lake	2701	Pierce	2,065,981	53,415	560,273	1,452,293	1,096,482	188,798	65,353	101,661	7.00%
61	Bothell	1706	King	2,535,092	89,603	687,491	1,757,998	1,327,288	228,540	79,110	123,060	7.00%
62	Edmonds	3104	Snohomish	2,775,714	108,543	752,745	1,914,426	1,445,391	248,875	86,149	134,010	7.00%
63	Tacoma	2717	Pierce	3,721,780	200,105	1,009,309	2,512,367	1,896,837	326,608	113,056	175,866	7.00%
64	Tacoma	2727	Pierce	2,323,951	117,924	630,232	1,575,795	1,189,725	204,853	70,911	110,306	7.00%
65	Spokane	3210	Spokane	4,084,185	290,761	1,107,589	2,685,835	2,027,806	349,159	120,863	188,008	7.00%
66	Kent	1715	King	2,258,636	84,514	612,519	1,561,603	1,179,011	203,008	70,272	109,312	7.00%
67	Richland	304	Benton	2,487,022	106,922	674,455	1,705,646	1,287,763	221,734	76,754	119,395	7.00%
68	Tacoma	2721	Pierce	3,522,035	213,315	955,140	2,353,580	1,776,953	305,965	105,911	164,751	7.00%
69	Seattle	1726	King	2,424,434	138,454	657,482	1,628,498	1,229,516	211,705	73,282	113,995	7.00%
70	Moses Lake	1309	Grant	2,261,570	102,359	613,315	1,545,896	1,167,152	200,967	69,565	108,213	7.00%
72	Mercer Island	1719	King	1,941,453	37,451	526,502	1,377,501	1,040,013	179,075	61,988	96,425	7.00%
73	Mountlake Terrace	3113	Snohomish	1,234,722	27,002	334,844	872,876	659,022	113,474	39,279	61,101	7.00%
74	Lynnwood	3110	Snohomish	3,093,375	131,126	838,892	2,123,357	1,603,135	276,036	95,551	148,635	7.00%
75	Everett	3105	Snohomish	4,036,042	186,704	1,094,533	2,754,805	2,079,878	358,125	123,966	192,836	7.00%
76	Kent	1715	King	3,119,357	204,564	845,938	2,068,855	1,561,986	268,951	93,098	144,820	7.00%
77	Seattle	1726	King	5,534,045	545,766	1,500,776	3,487,502	2,633,064	453,375	156,938	244,125	7.00%
79	Mill Creek	3119	Snohomish	4,212,443	188,950	1,142,371	2,881,121	2,175,246	374,546	129,650	201,678	7.00%
80	Monroe	3112	Snohomish	2,298,398	71,897	623,302	1,603,199	1,210,416	208,416	72,144	112,224	7.00%
81	Renton	1725	King	2,970,404	117,642	805,543	2,047,219	1,545,650	266,138	92,125	143,305	7.00%
82	Kent	1715	King	2,103,012	99,372	570,315	1,433,325	1,082,161	186,332	64,500	100,333	7.00%
83	Seattle	1726	King	1,771,025	46,721	480,284	1,244,020	939,235	161,723	55,981	87,081	7.00%
84	Tacoma	2717	Pierce	1,567,241	61,115	425,020	1,081,106	816,235	140,544	48,650	75,677	7.00%
85	Bellevue	1704	King	2,065,006	67,086	560,009	1,437,912	1,085,623	186,929	64,706	100,654	7.00%
86	Sea-Tac	1733	King	3,372,479	300,675	914,582	2,157,222	1,628,703	280,439	97,075	151,006	7.00%
89	Seattle	1737	King	1,125,074	24,483	305,109	795,483	600,589	103,413	35,797	55,684	7.00%
90	Port Orchard	1800	Kitsap	2,524,862	112,147	684,717	1,727,998	1,304,639	224,640	77,760	120,960	7.00%
91	Seattle	1700	King	1,285,236	77,867	348,543	858,826	648,414	111,647	38,647	60,118	7.00%
92	Tacoma	2717	Pierce	1,867,364	151,023	506,410	1,209,931	913,498	157,291	54,447	84,695	7.00%
93	Seattle	1700	King	2,077,166	93,228	563,306	1,420,632	1,072,577	184,682	63,928	99,444	7.00%

Retail Franchise Fee

OUTLET #	LOCATION	COUNTY	COUNTY	WSLCB Figures from FY 2001				75.50%	13.00%	Franchise Fee	Franchisees' Net Income	Net Income %
		CODE		Gross Sales	Discounts	Liquor Taxes	REVENUE "Net Sales"	Cost of Goods Sold	All Other Expenses Except Franchise Fee			
94	Yakima	3913	Yakima	2,671,938	100,077	724,602	1,847,259	1,394,681	240,144	83,127	129,308	7.00%
95	Bainbridge Island	1804	Kitsap	1,950,648	53,070	528,996	1,368,582	1,033,279	177,916	61,586	95,801	7.00%
96	Seattle	1726	King	5,046,013	151,350	1,368,427	3,526,236	2,662,308	458,411	158,681	246,837	7.00%
97	Seattle	1737	King	3,616,107	188,518	980,651	2,446,938	1,847,438	318,102	110,112	171,286	7.00%
98	Bellevue	1704	King	4,747,986	313,167	1,287,605	3,147,214	2,376,147	409,138	141,625	220,305	7.00%
99	Issaquah	1714	King	3,036,692	124,679	823,520	2,088,494	1,576,813	271,504	93,982	146,195	7.00%
101	Seattle	1726	King	13,117,026	1,758,066	3,557,203	7,801,757	5,890,327	1,014,228	351,079	546,123	7.00%
102	Kent	1715	King	2,956,202	100,187	801,692	2,054,323	1,551,014	267,062	92,445	143,803	7.00%
103	Tacoma	2727	Pierce	3,313,096	113,480	898,478	2,301,138	1,737,359	299,148	103,551	161,080	7.00%
104	Seattle	1726	King	1,785,928	72,356	484,325	1,229,246	928,081	159,802	55,316	86,047	7.00%
105	Tacoma	2717	Pierce	2,160,793	111,918	585,985	1,462,890	1,104,482	190,176	65,830	102,402	7.00%
106	Vancouver	605	Clark	2,775,187	142,031	752,602	1,880,554	1,419,818	244,472	84,625	131,639	7.00%
107	Seattle	1700	King	2,277,985	101,442	617,766	1,558,777	1,176,877	202,641	70,145	109,114	7.00%
108	Vancouver	600	Clark	3,402,603	112,052	922,751	2,367,800	1,787,689	307,814	106,551	165,746	7.00%
110	Lacey	3402	Thurston	3,730,611	133,767	1,011,703	2,585,141	1,951,781	336,068	116,331	180,960	7.00%
111	Fife	2706	Pierce	2,715,996	214,157	736,550	1,765,289	1,332,793	229,488	79,438	123,570	7.00%
112	Federal Way	1732	King	4,629,292	273,658	1,255,416	3,100,217	2,340,664	403,028	139,510	217,015	7.00%
114	Newcastle	1700	King	1,721,443	29,471	466,838	1,225,134	924,976	159,267	55,131	85,759	7.00%
115	Bellevue	1704	King	3,125,515	105,353	847,608	2,172,554	1,640,278	282,432	97,765	152,079	7.00%
116	Everett	3105	Snohomish	4,399,043	189,702	1,192,975	3,016,366	2,277,356	392,128	135,736	211,146	7.00%
117	Spokane	3210	Spokane	1,907,777	44,092	517,370	1,346,316	1,016,468	175,021	60,584	94,242	7.00%
118	Seattle	1726	King	2,810,463	89,010	762,169	1,959,284	1,479,259	254,707	88,168	137,150	7.00%
119	Redmond	1739	King	1,641,727	20,834	445,219	1,175,674	887,634	152,838	52,905	82,297	7.00%
120	Bellevue	1704	King	2,863,996	69,533	776,686	2,017,776	1,523,421	262,311	90,800	141,244	7.00%
122	Tacoma	2717	Pierce	4,586,385	149,362	1,243,781	3,193,243	2,410,899	415,122	143,696	223,527	7.00%
123	Bellingham	3701	Whatcom	2,726,096	98,748	739,289	1,888,059	1,425,485	245,448	84,963	132,164	7.00%
124	Tumwater	3406	Thurston	2,572,327	87,549	697,589	1,787,190	1,349,328	232,335	80,424	125,103	7.00%
125	Everett	3105	Snohomish	3,815,618	202,903	1,034,757	2,577,959	1,946,359	335,135	116,008	180,457	7.00%
126	Bremerton	1800	Kitsap	2,313,702	137,984	627,452	1,548,265	1,168,940	201,274	69,672	108,379	7.00%
127	Lynnwood	3131	Snohomish	2,489,930	98,439	675,243	1,716,248	1,295,767	223,112	77,231	120,137	7.00%
128	Seattle	1700	King	2,080,604	92,530	564,238	1,423,835	1,074,996	185,099	64,073	99,668	7.00%
129	Silverdale	1800	Kitsap	2,540,748	119,293	689,025	1,732,430	1,307,985	225,216	77,959	121,270	7.00%
130	Bellingham	3701	Whatcom	4,047,029	178,531	1,097,513	2,770,986	2,092,094	360,228	124,694	193,969	7.00%
131	Bellevue	1704	King	1,587,204	61,841	430,433	1,094,930	826,672	142,341	49,272	76,645	7.00%
132	Tacoma	2727	Pierce	1,465,848	60,499	397,523	1,007,826	760,909	131,017	45,352	70,548	7.00%
134	Oak Harbor	1503	Island	1,658,589	62,928	449,792	1,145,869	865,131	148,963	51,564	80,211	7.00%
135	Sequim	503	Clallam	2,368,028	67,887	642,185	1,657,956	1,251,757	215,534	74,608	116,057	7.00%
136	Seattle	1726	King	2,073,626	113,852	562,346	1,397,428	1,055,058	181,666	62,884	97,820	7.00%
137	East Wenatchee	902	Douglas	2,063,005	74,677	559,466	1,428,862	1,078,791	185,752	64,299	100,020	7.00%
138	Snohomish	3115	Snohomish	2,481,569	108,389	672,976	1,700,204	1,283,654	221,027	76,509	119,014	7.00%
139	Sumner	2716	Pierce	1,661,249	78,068	450,514	1,132,667	855,163	147,247	50,970	79,287	7.00%
140	Blaine	3702	Whatcom	687,304	20,000	186,390	480,914	363,090	62,519	21,641	33,664	7.00%

Retail Franchise Fee

OUTLET #	LOCATION	COUNTY	COUNTY	WSLCB Figures from FY 2001				75.50%	13.00%	Franchise Fee	Franchisees' Net Income	Net Income %
		CODE		Gross Sales	Discounts	Liquor Taxes	REVENUE "Net Sales"	Cost of Goods Sold	All Other Expenses Except Franchise Fee			
141	Lake Stevens	3131	Snohomish	1,407,412	36,303	381,676	989,433	747,022	128,626	44,525	69,260	7.00%
142	Sedro Woolley	2908	Skagit	1,384,484	52,835	375,458	956,191	721,924	124,305	43,029	66,933	7.00%
144	Lynnwood	3110	Snohomish	2,887,622	62,133	783,093	2,042,395	1,542,008	265,511	91,908	142,968	7.00%
145	Poulsbo	1803	Kitsap	1,571,774	48,906	426,249	1,096,619	827,948	142,561	49,348	76,763	7.00%
147	Chelan	402	Chelan	1,436,599	66,168	389,591	980,840	740,534	127,509	44,138	68,659	7.00%
148	Longview	804	Cowlitz	1,846,102	29,927	500,644	1,315,532	993,226	171,019	59,199	92,087	7.00%
150	Gig Harbor	2727	Pierce	3,332,081	111,932	903,626	2,316,523	1,748,975	301,148	104,244	162,157	7.00%
151	Ocean Shores	1409	Grays Harbor	1,347,026	64,760	365,300	916,967	692,310	119,206	41,264	64,188	7.00%
152	Burlington	2902	Skagit	2,014,422	82,224	546,291	1,385,908	1,046,361	180,168	62,366	97,014	7.00%
153	Ferndale	3704	Whatcom	1,489,981	52,697	404,068	1,033,217	780,079	134,318	46,495	72,325	7.00%
154	Puyallup	2727	Pierce	1,900,004	40,073	515,262	1,344,669	1,015,225	174,807	60,510	94,127	7.00%
155	Kirkland	1700	King	4,038,334	171,196	1,095,155	2,771,983	2,092,847	360,358	124,739	194,039	7.00%
156	Federal Way	1732	King	2,674,983	69,711	725,428	1,879,843	1,419,282	244,380	84,593	131,589	7.00%
157	Burien	1734	King	4,712,145	174,396	1,277,885	3,259,863	2,461,197	423,782	146,694	228,190	7.00%
158	Renton	1700	King	2,221,581	64,104	602,470	1,555,007	1,174,030	202,151	69,975	108,851	7.00%
159	Kennewick	302	Benton	2,267,709	122,523	614,979	1,530,207	1,155,306	198,927	68,859	107,114	7.00%
160	Kent	1712	King	2,376,987	42,462	644,614	1,689,910	1,275,882	219,688	76,046	118,294	7.00%
161	Tacoma	2717	Pierce	1,957,210	123,614	530,775	1,302,821	983,630	169,367	58,627	91,197	7.00%
162	Belfair	2300	Mason	1,315,587	35,742	356,774	923,072	696,919	119,999	41,538	64,615	7.00%
163	Olympia	3403	Thurston	2,642,534	119,632	716,628	1,806,274	1,363,737	234,816	81,282	126,439	7.00%
164	Walla Walla	3604	Walla Walla	1,250,618	49,279	339,155	862,185	650,950	112,084	38,798	60,353	7.00%
165	Yakima	3913	Yakima	1,836,712	72,905	498,097	1,265,710	955,611	164,542	56,957	88,600	7.00%
167	Spokane	3232	Spokane	2,718,603	139,028	737,257	1,842,318	1,390,950	239,501	82,904	128,962	7.00%
169	Friday Harbor	2801	San Juan	1,840,227	89,990	499,051	1,251,186	944,646	162,654	56,303	87,583	7.00%
170	Kent	1700	King	2,062,918	45,713	559,442	1,457,763	1,100,611	189,509	65,599	102,043	7.00%
171	Kennewick	302	Benton	3,713,894	149,893	1,007,170	2,556,832	1,930,408	332,388	115,057	178,978	7.00%
172	Marysville	3131	Snohomish	2,767,808	134,056	750,601	1,883,150	1,421,778	244,810	84,742	131,821	7.00%
173	Vancouver	600	Clark	4,543,375	183,354	1,232,117	3,127,904	2,361,568	406,628	140,756	218,953	7.00%
174	Vashon	1700	King	1,249,767	42,426	338,924	868,417	655,655	112,894	39,079	60,789	7.00%
175	Stanwood	3116	Snohomish	1,986,816	51,472	538,804	1,396,540	1,054,388	181,550	62,844	97,758	7.00%
176	Auburn	1702	King	2,747,604	111,317	745,122	1,891,166	1,427,830	245,852	85,102	132,382	7.00%
177	Vancouver	600	Clark	3,648,321	177,986	989,387	2,480,948	1,873,116	322,523	111,643	173,666	7.00%
178	Spokane	3210	Spokane	2,266,265	173,102	614,588	1,478,575	1,116,324	192,215	66,536	103,500	7.00%
179	North Bend	1722	King	1,771,346	78,419	480,371	1,212,556	915,480	157,632	54,565	84,879	7.00%
181	Spokane	3210	Spokane	2,822,243	115,320	765,363	1,941,559	1,465,877	252,403	87,370	135,909	7.00%
182	Seattle	1726	King	2,230,930	49,966	605,005	1,575,959	1,189,849	204,875	70,918	110,317	7.00%
				421,145,274	21,389,777	114,210,274	285,545,222	215,586,643	37,120,879	12,849,535	19,988,166	7.00%
Average										\$81,844		

Attachment 4
Normalized Franchise Fee

The only other state using the Franchise Model is West Virginia.

MATH:

West Virginia collected \$22,772,988 from their 159 Retail Franchisees in FY 2002. Since this is for a ten-year period, the average franchisee fee is \$14,322/year. $(\$22,772,988/10/159)$

To normalize to Washington's economy:

$$\begin{aligned} &\$14,322 \text{ Average franchise fee} \\ &\quad * 5.70 \text{ (Washington has 5.7 times the amount of volume)} \\ &\$81,635 \text{ Average Franchise fee} \\ &\quad / 1.96 \text{ (Washington has 1.96 times the number of outlets so the profit is divided = } 159/312) \\ &\$41,650 = \text{Normalized fee} \end{aligned}$$

Attachment 5

WHOLESALE FRANCHISE FEE-PRIVATIZATION

		FY2002 Wholesale Figures					
		80.00%	25.00%	10.00%			7%
Number of Liters sold	Sales to Retailers (markup on cost of 25%	Cost of Goods Sold	Gross Profit	Direct Expenses	Franchise Fee	Franchisees' Net Income	Net Income %
35921614	\$320,641,979	\$256,513,583	\$64,128,396	\$32,064,198	\$9,619,260	\$22,444,939	7.00%

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 1026 HB **Title:** Privatizing liquor sales

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☒ Cities:
- ☒ Counties:
- ☐ Special Districts:
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☒ Expenditures represent one-time costs: One-time revenue: Proceeds from the sale of liquor distribution facilities represent a one-time revenue gain.
- ☐ Legislation provides local option:
- ☐ Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

Jurisdiction	FY 2004	FY 2005	2003-05	2005-07	2007-09
City		(200,285)	(200,285)	(17,001,270)	(21,808,110)
County		(50,465)	(50,465)	(4,743,814)	(5,954,974)
Special District					
TOTAL \$		(250,750)	(250,750)	(21,745,084)	(27,763,084)
GRAND TOTAL \$					(49,758,918)

Estimated expenditure impacts to:

Jurisdiction	FY 2004	FY 2005	2003-05	2005-07	2007-09
City					
County					
Special District					
TOTAL \$					
GRAND TOTAL \$					0

Part III: Preparation and Approval

Fiscal Note Analyst: Linda Kercher	Phone: (360) 725-5038	Date: 01/28/2003
Leg. Committee Contact: Chelsea Buchanan	Phone: (360)786-7446	Date: 01/06/2003
Agency Approval: Louise Deng Davis	Phone: (360) 725-5034	Date: 01/28/2003
OFM Review: Tristan Wise	Phone: 360-902-0546	Date: 01/29/2003

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

This bill privatizes liquor retail and wholesale distribution by establishing a liquor franchise system in which a franchisee holds a franchise to sell spirits and strong beer in an area designated by the liquor control board (the board). The bill grants the board authority to establish franchises for retail and wholesale liquor sales.

Section 205 directs the board to transition from state liquor stores to franchised sales and prohibits the board from leasing space for or operating a state liquor outlet.

Section 206 removes the board's authority to determine locations and numbers of state liquor stores, but retains the subsection granting authority to appoint liquor vendors in cities and towns where no liquor stores are located. The section also gives the board authority to establish franchisee fees.

Section 302 revokes the board's authority to fix liquor prices so that the net annual revenue received by the board does not exceed 35 percent.

Section 320 revokes the board's authority to regulate equipment and management of stores and warehouses and the authority to issue price lists.

Sections 321 and 322 levy "applicable taxes" on liquor brought into the state from outside the country or from another state, if the liquor exceeds allowable limits. Currently such excess liquor is assessed the equivalent markup and tax that would apply had the liquor been purchased in state.

Section 404: The act takes effect Jan. 1, 2004.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

No expenditure impact is expected, according to the Association of Washington Cities.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

Local governments are estimated to experience a net revenue loss of \$7.9 million in fiscal year 2006 (FY06) and \$13.9 million per year after FY06 as a result of this bill. Cities are expected to lose \$6 million in FY06 and nearly \$11 million a year after FY06. Counties are expected to lose \$1.8 million in FY06 and nearly \$3 million per year after FY06. The revenue loss represents the elimination of liquor-sale profits, offset by anticipated profits from franchise fees, one-time proceeds from the sale of the board's distribution center, and, for cities, new local business and occupation (B&O) tax revenue generated by private liquor retailers and wholesalers. Additionally, local governments would receive \$250,750 less in liquor board profit in FY05 due to fees the board predicts it will have to pay to a consultant to assist with the transition to a private system.

NOTE: Local loss reported in this fiscal note varies slightly from that reported in the liquor board's fiscal note. This variation exists because the board rounded its calculation for local government distribution to 50 percent of overall yearly profit loss. LGFN, instead, based local distribution on NET yearly profit loss and followed the statutory distribution scheme by deducting 0.3 percent for border areas before deducting 50 percent for cities and counties. The result is local governments take a 50.3 percent share in the yearly profit loss.

DISCUSSION:

Revenue impacts were calculated as follows:

FY05 loss:

Consulting fees of \$500,000 reducing liquor profit: (Data source: Liquor Control Board fiscal note)	(\$500,000)
County share including border area portion	(\$50,465)
City share including border area portion (See distribution discussion below)	(\$200,285)

FY06 profit loss:

(Data source: Liquor Control Board)

Loss of liquor board overall yearly profit:	(\$32,000,000)
Less one-time sale proceeds from distribution center	+ \$14,500,000

FY06 net profit loss	(\$17,500,000)
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Subsequent fiscal year figures exclude one-time proceeds from the distribution center sale.

Profit loss after FY06:

Loss of liquor board overall yearly profit:	(\$32,000,000)
Less anticipated yearly profits from franchise fees:	+ \$2,500,000
(Sect. 206)	-----
Net yearly profit loss	(\$29,500,000)

Distribution to local government of net yearly profit loss:

As required by statute, excess funds (profits) generated by liquor sales are first distributed to certain cities and counties along the U.S.-Canadian border, which get 0.3 percent of the net profit. The remaining profit is divided further, with 40 percent going to cities and 10 percent going to counties. The remaining 50 percent goes to the state general fund. (RCW 66.08.190)

Local loss distribution for FY06 is calculated as follows:

Distribution from net profit loss to border areas: $.003 \times (\$17,500,000) = (\$52,500)$

After the border-area distribution, the remaining profit loss is $\$17,447,500 [(\$17,500,000) - (\$52,500) = (\$17,447,500)]$.

Local loss distribution after FY06 is calculated as follows:

Distribution from net profit loss to border areas: $.003 \times (\$29,500,000) = (\$88,500)$

After the border-area distribution, the remaining profit loss is $\$29,411,500 [(\$29,500,000) - (\$88,500) = (\$29,411,500)]$.

FY06 city and county loss distribution:

Counties:	$.10 \times (\$17,447,500) = (\$1,744,750)$
Cities:	$.40 \times (\$17,447,500) = (\$6,979,000)$

City and county loss distribution after FY06:

Counties:	$.10 \times (\$29,411,500) = (\$2,941,150)$
Cities:	$.40 \times (\$29,411,500) = (\$11,764,600)$

NOTE: The above distribution figures identify losses separately for cities, counties and border areas. In the estimated revenue impact figures on page 1 (the cover page), distribution to border areas was included in figures for cities and counties. Border area loss was allocated 41 percent to counties and 59 percent to cities, in accordance with past city-county distribution rates supplied by the board.

Local B&O tax is used to offset city losses thusly:

FY06

City losses	(\$6,979,000)
Estimated local B&O revenue	+ \$913,188

	(\$6,065,812)

After FY06

City losses	(\$11,764,600)
Estimated local B&O revenue	+ \$913,188

	(\$10,851,412)

(See discussion under "REVENUE GAIN – B&O" below)

Sales tax and liquor tax applied to liquor brought into state, under sections 321 and 322, increase losses slightly.

Distribution of local sales tax gain of \$220 a year:

Cities: \$132

Counties: \$88

(See "LIQUOR BROUGHT INTO WASHINGTON" below)

Distribution of liquor tax loss of \$2,000 a year:

Local share of 35 percent: (\$700)
City share: (\$560)
County share: (\$140)
(See "LIQUOR BROUGHT INTO WASHINGTON" below)

Net loss to local government resulting from sections 321 and 322:
Cities: $\$132 + (\$560) = (\$428)$
Counties: $\$88 + (\$140) = (\$52)$

Summary of FY06 local loss

City loss =	$(\$6,151,639) + (\$428) = (\$6,066,240)$
County loss =	$(\$1,744,750) + (\$52) = (\$1,744,802)$
Border area loss =	$(\$52,500)$

FY06 total local loss:	$(\$7,863,542)$
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Summary of yearly local loss after FY06:

City loss =	$(\$10,851,412) + (\$428) = (\$10,851,840)$
County loss =	$(\$2,941,150) + (\$52) = (\$2,941,202)$
Border area loss =	$(\$88,500)$

Total local loss after FY06:	$(\$13,881,542)$
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REVENUE COMPONENTS:

LOSS OF LIQUOR PROFITS

Under the current system, state stores generate a profit that is distributed to the state general fund, cities, counties, border areas and to other entities and programs. Profits for fiscal year 2002 were \$32 million, according to the board. Roughly half of that profit is distributed to local government. Therefore, local government would experience a loss of approximately \$16 million (to be partially offset by franchise fees, asset sale proceeds and B&O tax revenue) in liquor profit distributions, according to the board. (See "Assumptions")

FRANCHISE FEE REVENUE

Franchise fee revenue is expected to partially fund board operations. The board projects a \$2.5 million profit to be generated from the fees beginning in FY07. Local government would receive approximately half of such profits, offsetting losses by approximately \$1.25 million per fiscal year beginning in FY07. (Note: Senate Bill 5036 in Section 316 repeals the account into which franchise fees would be deposited and from which distributed to local governments. With the repeal of the account, revenue from fees would be deposited into the state general fund, according to the board. Therefore, franchise fees were not used to offset profit losses in the LGFN note for SB 5036.)

ASSET SALE REVENUE

The board estimates the sale of its distribution center would produce a \$14.5 million profit in FY06. Local government would receive approximately half of such profits, offsetting losses by approximately \$7.25 million in FY06. (Note: Senate Bill 5036 directs that sale proceeds be deposited into the general fund. Therefore, sale proceeds were not used to offset FY06 profit losses in the LGFN note for SB 5036.)

REVENUE GAIN – B&O

Under the bill, cities could gain \$913,188 per fiscal year with the addition of a local B&O tax to private liquor sellers. Currently, state liquor stores are not subject to local B&O taxes. With the proposed legislation, cities and towns could levy a B&O tax on the newly privatized liquor wholesale and retail businesses, according to DOR. Counties are not authorized to levy B&O taxes. (See "Assumptions")

LIQUOR TAX

Tax on liquor sales to consumers is expected to remain unchanged, assuming sales volume and rates remain constant. However, liquor tax revenue may be impacted by eliminating state stores, and in turn eliminating a liquor tax that applies specifically to such stores doing business with restaurants, according to DOR. A 10 percent tax is levied on liquor and strong beer sales by Washington state liquor stores to restaurant licensees (RCW 82.08.150(2)). Additionally, a 14 percent liquor surtax that applies specifically to those restaurant licensee sales would be eliminated. If state liquor stores no longer sell to restaurant licensees, the above code sections could no longer apply to such sales, according to DOR. This would result in a loss of both the liquor tax and surtax on sales to restaurant licensees. (See "Assumptions")

LIQUOR BROUGHT INTO WASHINGTON

Sections 321 and 322 are assumed by DOR to replace liquor taxes with state sales tax on liquor brought into the state from outside the United State and from other states. This would result in a local sales tax gain of \$132 for cities and \$88 for counties per year, and a local

liquor tax loss of \$560 for cities and \$140 for counties per year. (See “Assumptions”)

ASSUMPTIONS:

Loss of Liquor Profits

It is assumed sales volume and profit level will remain the same as in 2002.

Revenue Gain – B&O

The revenue cities could gain from local B&O taxes is calculated by taking the FY02 retail total supplied by the liquor board and DOR (\$320,641,979) and multiplying it by the average local B&O retail rate ($\$320,641,979 \times 0.00164 = \$525,853$). The FY 2002 wholesale total supplied by the liquor board and DOR (\$256,513,583) was multiplied by the average local B&O wholesale rate ($\$256,513,583 \times 0.00151 = \$387,336$). Together, the wholesale and retail figures total \$913,188. These calculations are based on data from DOR's fiscal note and the Association of Washington Cities' 2003 Local B&O Tax Rates report.

The above calculation assumes that all cities in Washington would levy a B&O tax on liquor retailers and wholesalers. Currently only 37 cities levy a local B&O tax. Assuming no additional cities levy a B&O tax on newly privatized liquor sellers, projected B&O revenue would be lower than the above calculation.

Projected B&O revenue for cities currently levying a B&O tax is calculated by isolating state liquor retail and wholesale gross receipts generated in such cities for FY02. This retail total (\$217,160,047) was multiplied by the average local B&O retail rate ($\$217,160,047 \times 0.00164 = \$356,142$). The wholesale total (\$256,513,583) was multiplied by the average local B&O wholesale rate ($\$256,513,583 \times 0.00151 = \$387,336$). Together, the wholesale and retail figures total \$743,478. These calculations are based on data from the liquor control board and the Association of Washington Cities' 2003 Local B&O Tax Rates report.

Liquor Tax

It is assumed the current law (RCW 82.08.150(2)) levying a 10 percent tax on sales by Washington state liquor stores to restaurant licensees will not be revised.

Liquor Brought Into Washington

Sales tax revenue distribution between cities and counties is based on Department of Revenue (DOR) 2002 data, where cities received 70.6 percent and counties 29.4 percent of basic and optional sales and use tax revenues. Additionally, 15 percent of cities' revenue is earmarked to counties, as required by statute.

Liquor tax revenue is distributed 65 percent to the state general fund and 35 percent to local governments, according to DOR. The local government share is distributed 20 percent to counties and 80 percent to cities.

SOURCES:

Liquor Control Board

Department of Revenue

Association of Washington Cities

Washington Association of County Officials