

Multiple Agency Fiscal Note Summary

Bill Number: 5522 SB	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	(300,000)	(300,000)	(300,000)	(300,000)
Department of Revenue	0	0	331,236	331,236	501,273	501,273
Liquor Control Board	(99,700)	(99,700)	(4,544,144)	(21,710,336)	(5,766,650)	(28,754,906)
Total \$	(99,700)	(99,700)	(4,512,908)	(21,679,100)	(5,565,377)	(28,553,633)

Local Gov. Courts *						
Local Gov. Other **		(100,300)		(4,452,773)		(5,642,636)
Local Gov. Total		(100,300)		(4,452,773)		(5,642,636)

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	200,000	(89.0)	0	(8,050,556)	(89.0)	0	(11,420,252)
Total	0.0	\$0	\$200,000	(89.0)	\$0	\$(8,050,556)	(89.0)	\$0	\$(11,420,252)

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

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Prepared by: Deborah Feinstein, OFM	Phone: 360-902-0614	Date Published: Final 2/13/2003
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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: 5522 SB	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				(300,000)	(300,000)
Total \$				(300,000)	(300,000)

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: Elizabeth Mitchell	Phone: (360)786-7430	Date: 01/28/2003
Agency Preparation: Dan Mason	Phone: 360-902-9090	Date: 02/06/2003
Agency Approval: Dan Mason	Phone: 360-902-9090	Date: 02/06/2003
OFM Review: Deborah Feinstein	Phone: 360-902-0614	Date: 02/13/2003

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.

SB 5522 privatizes liquor sales and eliminates some State liquor stores.

Assumption: The average daily balance decrease of the General Fund and Liquor Revolving Account will result in reduced earnings credited to the General Fund of \$ 150,000 per year.

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 05 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.

SB 5522 privatizes liquor sales and eliminates some State liquor stores.

Assumption: The average daily balance decrease of the General Fund and Liquor Revolving Account will result in reduced earnings credited to the General Fund of \$ 150,000 per year.

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: 5522 SB	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				331,236	501,273
Total \$				331,236	501,273

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: Elizabeth Mitchell	Phone: (360)786-7430	Date: 01/28/2003
Agency Preparation: Ray Philen	Phone: 360-570-6078	Date: 02/07/2003
Agency Approval: Don Taylor	Phone: 360-570-6083	Date: 02/07/2003
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.

Section 1 intends to initiate a pilot project to close a portion of the state's liquor retail stores, to monitor the impact of the store closures on state revenues, and to consider closing more state liquor stores in the future if the initial store closures yield benefits for the state.

Section 3 establishes a task force to advise the Liquor Control Board on implementation of a franchise system. Requires the task force created by this act to make a recommendation to the legislature by December 31, 2007, on whether the franchise system should be expanded, kept at its current level, or discontinued and replaced by the former state liquor store system.

Section 4 directs LCB to implement the closure of twenty-five state liquor stores by December 31, 2005. When determining which state liquor stores to close, the Board must give due consideration to the timing of the expiration of liquor store leases, as well as input from the task force. Provides that a state liquor store may not be closed unless at least one franchise exists in the franchise area covered by the liquor store, or unless the task force determines that reasonable alternative access is available to persons who previously purchased spirits from the state liquor store that is closing.

Section 5 declares that nothing shall be construed to eliminate liquor vendors as referenced in RCW 66.08.050, also known as contract agency stores, or to obligate liquor vendors to place bids for their stores.

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

Section 4 closes 25 State Liquor Stores and replaces them with up to 75 franchise liquor stores.

State liquor stores will be replaced with franchises no later than December 31, 2005.

State B and O taxes are collected on retail sales of liquor by liquor franchise stores.

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)

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

The amount of additional retail sales in FY 2006 subject to the B&O tax at the retailing rate is approximately \$24 million. Retail amounts are based on recent LCB records of liquor sales and is contained in the LCB fiscal note for this bill.

Based on the above assumptions this legislation will result in a gain to general fund revenue of approximately \$100,000 in fiscal year 2006 and \$227,000 in fiscal year 2007. These gains in revenue result from the imposition of B&O tax on liquor sales not currently subject to the B&O tax.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2004	-
FY 2005	-
FY 2006	\$104
FY 2007	227
FY 2008	246
FY 2009	256

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: Nathan Schreiner, 570-6117)

Assuming that the Liquor Control Board will continue to collect and remit the special liquor sales taxes imposed by RCW 82.08.150, the Department would not have any administrative expenditures as a result of this bill.

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: 5522 SB	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		(99,700)	(99,700)	(4,544,144)	(5,766,650)
Liquor Revolving Account-State 501-1				(17,166,192)	(22,988,256)
Total \$		(99,700)	(99,700)	(21,710,336)	(28,754,906)

Estimated Expenditures from:

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years	0.0	0.0	0.0	(89.0)	(89.0)
Fund					
Liquor Revolving Account-State 501-1	0	200,000	200,000	(8,050,556)	(11,420,252)
Total \$	0	200,000	200,000	(8,050,556)	(11,420,252)

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: Elizabeth Mitchell	Phone: (360)786-7430	Date: 01/28/2003
Agency Preparation: Rob Kirkwood	Phone: 360-664-1690	Date: 01/28/2003
Agency Approval: Pat Kohler	Phone: 360-664-1703	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.

This bill would initiate a pilot project to close a portion of the State-Operated liquor retail stores.

Significant Financial Provisions of the Bill:

New Section 3. Establishes a Task Force and report by December 31, 2007.

New Section 4. Closes 25 State Liquor Stores and replaces them with up to 75 Franchise Liquor Stores.

Significant workload issues, not yet quantifiable:

There are several significant workload impacts of this bill, but because of the complexity of the issue, it is premature to quantify these at this time. Therefore, these are only documented in this narrative, not in the Cash Receipts or Expenditures sections. These include:

- **Distribution Center.** This bill would create up to 50 additional stores, which is a 16% increase over the 312 stores. The existing system (accounting systems, policies, procedures, delivery schedules, freight contracts, staffing, etc) was designed around the current number and size of stores. The financial impact could range from adding more FTEs by extending the working day from 8 to 10 hours to adding another shift of 38 FTEs.
- **Administering a 3rd system for Franchisees.** This would involve a separate pricing structure, reprogramming our MBS (Merchandising Business System) and MHS (Materials Handling system), adding Accounting Staff to monitor and reconcile the systems, modifying our inventory system to account for these sales, collecting accounting data from the Franchisees.
- **Consumption and increases in revenues.** A larger number of outlets, shorter distances that a consumer has to travel to reach an outlet, and greater concentrations of outlets in an area tend to be associated with increased consumption of alcohol. This translates into increased sales. For example, when Iowa privatized all of its state stores, consumption increased by 5 percent. If this were the case in Washington, liquor tax collections may increase by \$900,000/year. (Note: the 5 percent sales increase would be shared among the 75 franchisees-it does not mean each Franchisees' sales would increase by 5 percent).

Workload or Policy Assumptions:

- **Task Force expenses.** New Section 3 (3) states that all expenses of the task force are paid jointly by the senate and house of representatives. For the purposes of this fiscal note, we assume that includes reimbursing the Washington State Liquor Control Board (WSLCB) for our expenses. We also assume that the senate and House will contract for the expertise to research, compile, and publish the report cited in this section. Consequently, none of those expenses are included in this fiscal note. (Note: The Governor's FY 2000 Retail Liquor Sales Task Force incurred expenses for a Consultant of \$70,000 and spanned nine months).
- **Project start date:** In order to close State Stores, and have Franchisees in place by December 31, 2005, the project must begin in the 03-05 Biennium. This allows the task force time to select the specific stores, and gather the critical input from stakeholders as required by New Section 4 (3). Therefore, for the purpose of this fiscal note, we are assuming the Task Force will select the stores no later December 31, 2004. Between this time and December 31, 2005, WSLCB will gather stakeholders comments, contract with a Franchise Attorney, the Dept. of General Administration, and the Attorney General's Office to arrange the necessary Franchise Agreements, advertise, develop the Requests for proposals, collect and evaluate the bids and bidders, contract with the Franchisees, and perform all the other necessary requirements.
- **Cost to Close State Liquor Stores.** WSLCB will incur an expense for Unemployment, annual Leave Buy-out, and cost to dismantle existing stores. There are approximately 92 FTEs at the 25 stores.

- Number of Franchisees: Seventy-five. New Section 4 requires that WSLCB close twenty-five stores. It also states that up to three franchise agreements be awarded in the area. We assume these are a mix of large, medium and small stores.
- Liquor Prices: Although not required in SB 5522, the assumption is that Franchisees will set their prices equal to the WSLCB. If they set higher, they will lose sales to neighboring State or Contract Liquor Stores. New Section 6 (b) prohibits them from selling spirits for less than State Liquor Stores.
- WSLCB Markup/Margin. Although not expressly stated in SB 5522, the WSLCB must surrender some of their profits through a lower markup to allow the Franchisee to make a profit. Currently, the WSLCB applies an average markup on liquor of 42% of Cost. To keep prices uniform, and to allow the Franchisee to make a profit, WSLCB must reduce this markup when selling liquor to the Franchisee.
- Spirit Taxes. For the purpose of this fiscal note, spirit sales and liter taxes will continue to be collected by the Franchisee, and remitted to the WSLCB.
- Consumption of liquor. For the purposes of this fiscal note, we are assuming that the consumption of liquor is the same as it was in fiscal year 2002.
- Franchise Model. New Section 4 establishes a bidding process for franchisees. There will be an expense to contract with a Franchise Attorney, the Dept. of General Administration and the Attorney General's Office to accommodate the contractual requirements.
- Franchise Fee. This fiscal note will establish a reasonable franchise bid based on a variety of factors, the main one is how much money can a franchisee make. We will assume a minimum bid. The rationale is three-fold: (a) We do not want to overestimate revenues, and (b) we do not want to establish an amount that would discourage the franchisee from bidding. This occurred in the only other state (West Virginia) that uses this model. In 1990 they did not receive acceptable bids in 47 of the 98 zones they established. (c) Furthermore, it takes some businesses three to seven years to recoup start-up costs and make a profit. A four-year period may not be attractive if the franchisee fee is set too high. These proceeds will be deposited into the Liquor Revolving Account to help mitigate the loss of liquor profits.
- Liquor License Fee. This fiscal note uses the West Virginia Model and assesses both a franchise fee and a \$1,000/year license fee. These proceeds will be deposited into the Liquor Revolving Account to help mitigate the loss of liquor profits.
- Wine and beer sales: For the purpose of this fiscal note, we assume that the Franchisee would continue to purchase their wine and beer (specialized beer only) from the WSLCB. Wine and beer sales comprise approximately 10% of a State Liquor Stores Sales. If the Franchisee bypasses the WSLCB and purchased these products from a private wholesaler, the State and Local Governments would lose these profits. For fiscal year 2002, these 25 State Liquor Stores generated wine and beer profits (after expenses) of approximately \$1.4 million, that was then distributed to the general fund and Local Governments.
- Sales to Restaurants: For the purpose of this fiscal note, we assume the Franchisee would continue to service restaurants (Class H Licensees). Approximately 23.40% of a State Liquor Store sales are made to Class H Licensees.
- 17% Discount to Class H Licensees. For the purpose of this fiscal note, we assume the Franchisee would honor the statutorily required discount established by RCW 66.24.440. This discount is approximately \$3.5 million for 25 State Liquor Stores.
- 10% "B & O" Tax on Sales to Class H Licensees: For the purpose of this fiscal note, we assume the Franchisee would not be liable to remit this tax established in RCW 66.08.220. Approximately 23.40% of State Liquor Store sales are made to Class H Licensees. WSLCB currently distributes 10% of the revenues from these sales to the general fund

and local governments. If the Attorney General determined that Franchisees were liable for this tax, the combined 25 Franchisees would remit approximately \$1.1 million of their sales to the state. If upheld in court, this tax could discourage a reasonable businessperson from applying for a franchise. If Franchisees do not remit this tax, the general fund and local governments lose the revenues from this source.

- **Property Taxes.** No change in property taxes collected by the State of Washington. The WSLCB does not own any of the 157 State Liquor Stores. The private landlords of retail space leased by WSLCB pay the taxes on the property. Regardless if the tenant is the state or a private franchisee, the property taxes are still paid by the owner of the property.
- **4-Year Franchise Agreement.** Each begins on December 31, 2005 and end on December 31, 2009. Therefore, these span the 05-07 Biennium and end in the 09-11 biennium.
- **Cost to re-establish State Operated Liquor Stores.** If the December 31, 2007 report concludes that the pilot project is unsuccessful, the cost to reestablish the 25 State Liquor Stores will occur in the 09-11 Biennium and therefore is not reflected on this Fiscal Note. Start-up costs per store are approximately \$130,000. This includes store fixtures, tenant improvements, signage, and computers. This figure does not include wages and rent costs.
- **B & O Tax.** Franchisees will pay B & O Tax on their gross receipts (unlike State Liquor Stores that do not pay B & O Tax, or Contract Liquor Stores that pay based on their Commissions). The Department of Revenue will report this revenue on their fiscal note.
- **Loss of Revenue to Local Governments.** Former distribution of revenues to local governments from the “10% B & O Tax on Sales to Class H Licensees” and profits from other Retail customer sales, will be reported on the Local Government fiscal note.
- **Additional Enforcement Staff.** New Section 6 of the bill adds additional duties that will require increased staffing. Enforcement requires two FTEs to ensure the integrity of the franchise system, including additional routine premises checks and ensuring that they are complying with pricing regulations, obtaining liquor from authorized sources and the projected increase in complaints, etc.
- **Impact to Licensing** would be additional staff time to conduct background checks (criminal & financial) on franchisee applicants. Assuming these applications would involve more complex "tied house" issues, one FTE in a license investigator position, which is \$45,000 annual salary & benefits.

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.

The following analysis excludes the cash receipt impact of B & O tax that the Department of Revenue will report on their fiscal note. Nor does it include the cash receipt impact to Local government from lost liquor profits.

Cash receipt impacts come in three forms: (1) Decreased profits of the WSLCB since those profits are now in the hands of the Franchisee, and (2) increased expenses of the WSLCB that translates into decreased profits. A decrease in profits means less distribution to the general fund and local governments, and (3) new revenues from franchise fees and liquor license fees.

Step 1: Establish Pro-Forma Income Statement for 25 State Liquor Stores and 75 Franchisees.

Since the specific stores have not been identified, we used the fiscal year 2002 Income Statements for all 157 stores and arrived at an average per store, then multiplied by 25. See Attachment 1-" Income Statement for 157 Stores". Also see Attachment 2 -Pro-Forma Income Statement for 25 stores and 75 Franchisee Stores". We allocated the other “Retail Operation” costs to these 25 stores by assuming a ratio equivalent to the total number of state and contract liquor stores. Consequently, we allocated 25/312 of the cost of Purchasing, Distribution, Retail management, and other Administrative

expenses.

Step 2: Balance the financial requirements of the Franchisee with the WSLCB. Based on the analysis in Attachment 2-“Pro-Forma Income Statement for 25 stores and 75 Franchisee Stores”, in the interest of allowing the Franchisee to make a marginal profit, WSLCB can only price liquor to the franchisee just high enough to recoup costs, with little or no profit. This analysis also shows that the Franchise will not be willing to pay much for the right to sell liquor.

See Attachment 3 - "Summary of Incremental Impacts."

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.

- Appropriation Authority Savings for closing 25 State-Operated Liquor Stores: 92 FTEs and \$5,860,540. (Note: the revenue is also lost that funded these expenses). This is the average at 25 Stores for all budgeted expenses. See Attachment 4 - "FY2002 Store Expenses".

This bill would require WSLCB to incur additional expenses:

- Unemployment Compensation of approximately \$407,000. The State is self-insured meaning WSLCB would pay for unemployment benefits. Each Liquor Store is staffed with an average of 3.69 FTEs, for a total of 92 employees. The assumption is that 12% of our layed-off employees will collect benefits for 16 weeks at an average of \$300 per week and 45% will collect an average of \$300 per week for the 30 weeks maximum. $406,800 = \$37,800 + \$369,000 = ((92 * 12\%)*(16 * \$300) + ((92 * 45\%)*(30 * \$300))$. This expense will reduce our distribution of "Excess Funds" to the State General Fund and Local Governments.

- Annual Leave Buyout of \$25,000. 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 92 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 72 employees will leave state service. The average hourly wage in the agency is \$16.50 per hour. The annual leave buy-out would equal \$25,000 in expenditures in fiscal year 2006.

- Cost to implement 75 Franchise Agreements is \$200,000. 1200 hours at \$150/hour for a Franchise Attorney = \$180,000. Dept. of General Administration and possibly the Attorney General's Office cost = \$20,000 to help with process. Minimum estimate is \$200,000.

- Enforcement staff

Liquor Enforcement Officer 2 , Range 47 Step K 2.00 FTEs

Annual Salaries - \$87,288

Annual Benefits @ 23% 20,076

One-time Equipment 82,675

- Impact to Licensing would be additional staff time to conduct background checks (criminal & financial) on franchisee applicants. Assuming these applications would involve more complex "tied house" issues, one FTE in a license investigator position, which is \$45,000 annual salary & benefits.

Liquor License Specialist 2, Range 38, Step K 1.00 FTE

Annual Salary \$34,932

Annual Benefits @23% 8,034

See Attachment 3 - "Summary of Incremental Impacts"

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years				(89.0)	(89.0)
A-Salaries and Wages				(4,123,448)	(5,531,218)
B-Employee Benefits				(888,091)	(1,726,778)
C-Personal Service Contracts					
E-Goods and Services		200,000	200,000	(3,121,691)	(4,162,254)
G-Travel					
J-Capital Outlays				82,675	
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	\$0	\$200,000	\$200,000	(\$8,050,555)	\$(11,420,250)

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
Licensing Investigators	35,000				1.0	1.0
Liquor Enforcement Agents	43,644				2.0	2.0
Various Liquor Store Positions	31,390				(92.0)	(92.0)
Total FTE's					(89.0)	(89.0)

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 Section 4 (7) allows the WSLCB to adopt rules.

Attachment 1
Income Statement for 157 Stores
Store Revenue -- Fiscal Year Ended June 30,2002

#	LOCATION	COUNTY	Gross Sales	Discounts	Taxes	Net Sales	Cost of Goods Sold	Gross Profit	(1) Direct Sales Expense	Net Profit
STATE LIQUOR STORES										
1	Seattle	King	\$1,341,461	\$51,380	\$345,409	\$944,672	\$739,081	\$205,591	\$231,234	(\$25,642)
2	Seattle	King	1,649,378	43,430	424,694	1,181,254	842,320	338,934	251,093	87,841
4	Tacoma	Pierce	2,466,661	261,199	635,134	1,570,329	1,186,879	383,450	231,204	152,245
6	Everett	Snohomish	1,623,209	79,849	417,955	1,125,404	758,441	366,963	202,707	164,256
7	Yakima	Yakima	3,157,480	183,892	813,011	2,160,578	1,516,597	643,981	265,677	378,304
8	Aberdeen	Grays Hart	2,781,470	137,344	716,193	1,927,933	1,287,916	640,016	224,730	415,287
9	Walla Walla	Walla Wall	1,278,945	47,448	329,312	902,184	614,508	287,676	156,287	131,390
10	Vancouver	Clark	2,702,607	200,047	695,887	1,806,674	1,314,061	492,613	198,208	294,405
11	Olympia	Thurston	3,416,971	201,450	879,826	2,335,695	1,666,758	668,937	276,975	391,962
12	Wenatchee	Chelan	2,759,672	118,110	710,580	1,930,982	1,303,732	627,250	213,180	414,070
13	Longview	Cowlitz	2,360,482	154,970	607,794	1,597,718	1,106,656	491,062	213,172	277,890
14	Port Angeles	Clallam	3,030,397	112,806	780,288	2,137,303	1,433,515	703,788	214,635	489,153
16	Centralia	Lewis	1,729,867	82,649	445,419	1,201,800	810,955	390,845	165,236	225,609
18	Mt. Vernon	Skagit	2,799,620	134,521	720,866	1,944,233	1,334,153	610,080	231,370	378,710
19	Clarkston	Asotin	909,162	53,609	234,098	621,455	432,404	189,051	132,870	56,181
20	Woodinville	King	2,974,046	86,071	765,779	2,122,197	1,467,764	654,433	261,232	393,201
21	Ellensburg	Kittitas	2,253,500	102,842	580,247	1,570,411	1,079,207	491,204	180,048	311,156
22	Seattle	King	4,594,704	244,148	1,183,077	3,167,479	2,269,644	897,835	298,213	599,622
23	Puyallup	Pierce	3,585,996	142,837	923,348	2,519,812	1,731,784	788,028	256,157	531,871
24	Anacortes	Skagit	2,386,985	80,022	614,618	1,692,345	1,163,430	528,915	235,814	293,101
25	Renton	King	4,722,571	189,420	1,216,001	3,317,149	2,316,696	1,000,453	303,937	696,516
26	Chehalis	Lewis	1,323,647	44,590	340,822	938,236	623,489	314,746	145,955	168,791
27	Kelso	Cowlitz	1,394,574	77,070	359,085	958,419	654,641	303,778	167,821	135,957
28	Seattle	King	7,121,097	757,301	1,833,591	4,530,205	3,555,031	975,174	319,152	656,022
29	Puyallup	Pierce	1,881,466	99,319	484,453	1,297,694	883,712	413,983	188,196	225,787
30	Shelton	Mason	2,607,376	120,378	671,366	1,815,633	1,214,110	601,522	205,729	395,794
31	Port Townsend	Jefferson	1,780,490	61,828	458,453	1,260,208	887,246	372,962	190,555	182,407
32	Enumclaw	King	1,729,536	74,955	445,333	1,209,248	810,325	398,923	179,297	219,626
33	Redmond	King	4,506,947	155,454	1,160,481	3,191,011	2,243,895	947,117	327,572	619,545
34	Auburn	King	2,126,360	139,055	547,511	1,439,795	1,006,855	432,940	198,252	234,688
35	Pasco	Franklin	2,530,549	96,385	651,584	1,782,580	1,209,102	573,478	204,970	368,508
37	Arlington	Snohomish	1,439,335	47,622	370,610	1,021,103	676,551	344,552	165,184	179,368

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Store Revenue -- Fiscal Year Ended June 30,2002

#	LOCATION	COUNTY	Gross Sales	Discounts	Taxes	Net Sales	Cost of Goods Sold	Gross Profit	(1) Direct Sales Expense	Net Profit
39	Colville	Stevens	934,913	25,622	240,728	668,562	433,484	235,078	138,718	96,360
40	Spokane	Spokane	4,638,335	177,765	1,194,312	3,266,258	2,180,098	1,086,160	328,294	757,866
42	Seattle	King	2,171,429	57,191	559,115	1,555,122	1,078,416	476,707	284,067	192,640
43	Seattle	King	3,941,224	217,415	1,014,815	2,708,994	1,954,375	754,619	278,889	475,730
44	Spokane	Spokane	1,870,823	211,725	481,713	1,177,385	895,862	281,523	179,421	102,102
45	Seattle	King	3,792,813	240,488	976,601	2,575,724	1,892,632	683,092	223,135	459,957
46	Seattle	King	8,661,212	1,455,474	2,230,151	4,975,587	4,355,236	620,351	533,965	86,386
47	Seattle	King	4,016,373	196,227	1,034,165	2,785,981	1,957,438	828,543	291,150	537,393
48	Bellingham	Whatcom	1,930,248	152,270	497,014	1,280,964	956,570	324,394	176,648	147,746
49	Pullman	Whitman	1,866,774	86,206	480,670	1,299,898	901,596	398,302	174,751	223,551
51	Spokane	Spokane	1,984,793	88,084	511,059	1,385,651	898,196	487,455	228,092	259,363
52	Puyallup	Pierce	2,225,856	80,583	573,129	1,572,143	1,058,213	513,930	196,918	317,013
53	Seattle	King	3,150,956	93,043	811,331	2,246,582	1,505,474	741,108	281,401	459,707
55	Seattle	King	4,357,039	154,229	1,121,882	3,080,929	2,098,243	982,685	333,659	649,027
56	Spokane	Spokane	1,998,752	60,340	514,653	1,423,759	939,876	483,883	179,599	304,284
57	Kirkland	King	4,530,669	316,459	1,166,589	3,047,621	2,321,551	726,070	312,209	413,861
58	Bremerton	Kitsap	2,566,458	131,354	660,830	1,774,274	1,197,919	576,355	248,494	327,861
60	Bonney Lake	Pierce	2,198,036	51,692	565,966	1,580,377	1,036,350	544,028	185,135	358,892
61	Bothell	King	2,750,458	103,030	708,208	1,939,220	1,332,800	606,420	218,939	387,481
62	Edmonds	Snohomish	2,814,217	108,403	724,625	1,981,189	1,393,824	587,366	247,452	339,914
63	Tacoma	Pierce	3,712,812	194,003	956,001	2,562,808	1,784,437	778,371	280,864	497,507
64	Tacoma	Pierce	2,531,697	122,593	651,879	1,757,224	1,183,352	573,872	205,680	368,193
65	Spokane	Spokane	4,196,257	306,655	1,080,482	2,809,120	2,014,888	794,232	318,657	475,575
66	Kent	King	2,421,552	93,413	623,518	1,704,620	1,172,830	531,790	200,445	331,345
67	Richland	Benton	2,684,738	115,710	691,286	1,877,742	1,320,049	557,693	228,682	329,012
68	Tacoma	Pierce	3,475,948	209,976	895,012	2,370,960	1,669,323	701,637	263,412	438,224
69	Seattle	King	2,959,566	185,160	762,050	2,012,355	1,465,411	546,944	229,213	317,731
70	Moses Lake	Grant	2,273,201	98,587	585,320	1,589,294	1,067,660	521,634	174,856	346,778
72	Mercer Island	King	2,000,901	37,399	515,206	1,448,295	1,037,233	411,062	251,540	159,522
73	Mountlake Terrace	Snohomish	1,426,424	39,813	367,286	1,019,326	686,674	332,651	194,489	138,162
74	Lynnwood	Snohomish	3,394,232	135,655	873,971	2,384,606	1,644,449	740,157	274,604	465,553
75	Everett	Snohomish	3,872,801	169,479	997,197	2,706,125	1,843,729	862,396	295,752	566,644
76	Kent	King	3,159,544	210,188	813,542	2,135,814	1,525,211	610,603	260,102	350,502
77	Seattle	King	6,029,438	563,438	1,552,503	3,913,497	3,034,365	879,132	333,613	545,519
79	Mill Creek	Snohomish	4,474,803	186,668	1,152,204	3,135,931	2,202,755	933,175	299,097	634,078
80	Monroe	Snohomish	2,506,408	86,260	645,368	1,774,780	1,202,728	572,052	153,812	418,240

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Store Revenue -- Fiscal Year Ended June 30,2002

#	LOCATION	COUNTY	Gross Sales	Discounts	Taxes	Net Sales	Cost of Goods Sold	Gross Profit	(1) Direct Sales Expense	Net Profit
81	Renton	King	3,159,106	128,475	813,429	2,217,202	1,519,811	697,390	253,670	443,720
82	Kent	King	2,087,391	94,296	537,477	1,455,619	1,003,904	451,714	219,698	232,016
83	Seattle	King	1,857,050	50,150	478,167	1,328,734	956,821	371,913	220,491	151,422
84	Tacoma	Pierce	1,607,514	56,572	413,914	1,137,028	757,773	379,255	178,064	201,191
85	Bellevue	King	2,074,006	66,610	534,030	1,473,366	1,027,132	446,234	243,468	202,766
86	Sea-Tac	King	3,362,191	295,791	865,721	2,200,679	1,638,339	562,341	280,799	281,541
89	Seattle	King	1,178,311	25,544	303,400	849,367	588,006	261,361	157,303	104,058
90	Port Orchard	Kitsap	2,696,724	121,435	694,372	1,880,917	1,286,294	594,623	205,410	389,213
91	Seattle	King	1,349,703	83,941	347,531	918,231	655,039	263,193	141,125	122,068
92	Tacoma	Pierce	2,017,850	176,673	519,570	1,321,607	960,265	361,342	201,820	159,522
93	Seattle	King	2,097,818	91,997	540,161	1,465,660	1,024,331	441,328	232,077	209,252
94	Yakima	Yakima	2,732,440	87,328	703,568	1,941,543	1,304,311	637,232	220,175	417,057
95	Bainbridge Island	Kitsap	2,114,801	61,497	544,534	1,508,770	1,084,383	424,387	214,664	209,723
96	Seattle	King	4,944,596	111,123	1,273,170	3,560,303	2,518,845	1,041,458	411,915	629,543
97	Seattle	King	3,656,132	184,977	941,407	2,529,748	1,762,292	767,456	269,889	497,566
98	Bellevue	King	4,902,435	338,764	1,262,314	3,301,357	2,496,767	804,590	360,737	443,853
99	Issaquah	King	3,240,508	135,773	834,389	2,270,346	1,647,976	622,369	256,365	366,004
101	Seattle	King	12,291,228	1,605,479	3,164,834	7,520,916	6,126,091	1,394,825	523,353	871,472
102	Kent	King	3,125,679	112,700	804,822	2,208,157	1,510,462	697,695	247,131	450,564
103	Tacoma	Pierce	3,589,032	118,314	924,130	2,546,588	1,728,683	817,906	273,361	544,545
104	Seattle	King	1,924,558	78,564	495,549	1,350,445	957,628	392,817	195,503	197,315
105	Tacoma	Pierce	2,369,793	128,267	610,191	1,631,335	1,146,493	484,843	227,314	257,529
106	Vancouver	Clark	2,888,622	149,322	743,783	1,995,516	1,266,727	728,790	213,036	515,754
107	Seattle	King	2,361,390	106,025	608,028	1,647,337	1,121,112	526,226	188,075	338,151
108	Vancouver	Clark	3,487,638	110,485	898,022	2,479,131	1,686,559	792,572	281,067	511,505
110	Lacey	Thurston	4,000,321	142,206	1,030,031	2,828,084	1,913,160	914,924	307,404	607,520
111	Fife	Pierce	2,567,495	200,109	661,097	1,706,289	1,245,608	460,682	229,856	230,825
112	Federal Way	King	4,696,891	271,578	1,209,389	3,215,924	2,295,650	920,275	366,984	553,291
114	Newcastle	King	1,790,984	24,055	461,155	1,305,773	906,102	399,671	189,743	209,928
115	Bellevue	King	3,275,905	105,419	843,504	2,326,982	1,666,744	660,239	314,901	345,338
116	Everett	Snohomish	4,110,000	146,353	1,058,272	2,905,374	1,974,197	931,177	275,743	655,434
117	Spokane	Spokane	1,991,823	50,256	512,869	1,428,698	931,897	496,801	228,103	268,698
118	Seattle	King	2,737,486	64,653	704,867	1,967,965	1,347,373	620,592	252,959	367,634
119	Redmond	King	1,811,845	29,518	466,527	1,315,801	901,626	414,175	173,555	240,620
120	Bellevue	King	3,078,779	91,418	792,746	2,194,615	1,538,565	656,051	262,744	393,307
122	Tacoma	Pierce	4,934,810	154,792	1,270,650	3,509,367	2,343,246	1,166,122	346,086	820,036

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Store Revenue -- Fiscal Year Ended June 30,2002

#	LOCATION	COUNTY	Gross Sales	Discounts	Taxes	Net Sales	Cost of Goods Sold	Gross Profit	(1) Direct Sales Expense	Net Profit
123	Bellingham	Whatcom	2,859,460	98,301	736,274	2,024,885	1,370,965	653,920	239,530	414,390
124	Tumwater	Thurston	2,934,827	108,249	755,680	2,070,897	1,441,655	629,242	231,121	398,121
125	Everett	Snohomish	3,917,447	234,132	1,008,692	2,674,623	1,862,538	812,085	307,181	504,904
126	Bremerton	Kitsap	2,472,139	139,615	636,544	1,695,981	1,168,296	527,685	226,724	300,960
127	Lynnwood	Snohomish	2,032,822	109,176	523,426	1,400,221	980,323	419,897	238,987	180,910
128	Seattle	King	2,208,100	98,945	568,558	1,540,598	1,082,518	458,080	212,783	245,297
129	Silverdale	Kitsap	2,873,567	133,782	739,907	1,999,879	1,379,184	620,695	231,790	388,905
130	Bellingham	Whatcom	4,406,067	205,338	1,134,506	3,066,223	2,135,539	930,685	236,324	694,361
131	Bellevue	King	1,676,098	61,122	431,574	1,183,402	856,325	327,077	165,514	161,563
132	Tacoma	Pierce	1,622,821	73,006	417,856	1,131,960	786,638	345,322	203,949	141,373
134	Oak Harbor	Island	1,755,416	70,278	451,997	1,233,141	849,756	383,385	166,869	216,516
135	Sequim	Clallam	2,536,641	77,033	653,152	1,806,456	1,214,185	592,271	214,544	377,726
136	Seattle	King	2,343,629	149,482	603,454	1,590,692	1,171,578	419,114	216,033	203,081
137	East Wenatchee	Douglas	2,186,189	82,721	562,916	1,540,552	1,017,303	523,248	181,731	341,518
138	Snohomish	Snohomish	2,469,152	104,888	635,775	1,728,490	1,185,766	542,724	214,730	327,994
139	Sumner	Pierce	1,696,000	80,808	436,698	1,178,494	799,486	379,007	184,676	194,332
140	Blaine	Whatcom	700,788	20,750	180,444	499,594	334,405	165,189	128,030	37,159
141	Lake Stevens	Snohomish	2,031,178	49,588	523,002	1,458,588	959,583	499,005	210,383	288,622
142	Sedro Woolley	Skagit	1,486,759	58,478	382,821	1,045,459	694,663	350,796	154,911	195,885
144	Lynnwood	Snohomish	3,742,803	99,595	963,724	2,679,485	1,816,440	863,045	277,315	585,730
145	Poulsbo	Kitsap	1,763,898	55,826	454,181	1,253,891	855,015	398,876	206,665	192,212
147	Chelan	Chelan	1,495,283	66,173	385,016	1,044,094	745,053	299,040	144,474	154,566
148	Longview	Cowlitz	1,933,555	43,389	497,866	1,392,300	916,804	475,496	192,761	282,735
150	Gig Harbor	Pierce	3,525,922	120,609	907,880	2,497,433	1,739,993	757,441	278,917	478,524
151	Ocean Shores	Grays Hart	1,444,348	72,419	371,901	1,000,028	688,394	311,634	177,968	133,667
152	Burlington	Skagit	2,135,639	85,092	549,900	1,500,647	1,019,170	481,478	227,339	254,138
153	Ferndale	Whatcom	1,627,432	52,575	419,043	1,155,814	769,468	386,346	182,965	203,381
154	Puyallup	Pierce	2,081,243	45,944	535,893	1,499,406	982,710	516,695	176,881	339,814
155	Kirkland	King	4,111,158	178,396	1,058,570	2,874,192	2,010,593	863,598	281,457	582,142
156	Federal Way	King	2,883,232	76,510	742,395	2,064,327	1,396,397	667,930	230,289	437,641
157	Burien	King	4,907,494	180,162	1,263,617	3,463,715	2,396,666	1,067,049	369,152	697,897
158	Renton	King	2,344,470	67,157	603,671	1,673,642	1,136,007	537,636	218,758	318,878
159	Kennewick	Benton	2,551,939	137,781	657,092	1,757,067	1,263,563	493,504	193,204	300,300
160	Kent	King	2,610,833	46,918	672,256	1,891,659	1,257,157	634,502	228,555	405,946
161	Tacoma	Pierce	1,983,090	117,627	510,620	1,354,842	939,498	415,345	206,106	209,239
162	Belfair	Mason	1,381,188	35,359	355,638	990,191	647,596	342,595	165,332	177,262

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Store Revenue -- Fiscal Year Ended June 30,2002

#	LOCATION	COUNTY	Gross Sales	Discounts	Taxes	Net Sales	Cost of Goods Sold	Gross Profit	(1) Direct Sales Expense	Net Profit
163	Olympia	Thurston	2,917,762	133,056	751,286	2,033,420	1,424,210	609,211	238,214	370,997
164	Walla Walla	Walla Wall	1,289,215	44,457	331,956	912,802	625,303	287,499	192,988	94,511
165	Yakima	Yakima	1,958,445	89,188	504,274	1,364,982	920,192	444,790	210,795	233,995
167	Spokane	Spokane	2,657,296	139,906	684,220	1,833,170	1,239,709	593,461	239,429	354,032
169	Friday Harbor	San Juan	1,912,009	94,207	492,318	1,325,485	986,535	338,950	194,867	144,083
170	Kent	King	2,138,654	49,013	550,676	1,538,965	1,025,215	513,750	173,338	340,413
171	Kennewick	Benton	3,993,137	164,989	1,028,182	2,799,967	1,886,851	913,116	264,705	648,411
172	Marysville	Snohomish	2,711,277	131,592	698,119	1,881,566	1,288,928	592,637	231,971	360,667
173	Vancouver	Clark	5,010,608	210,204	1,290,167	3,510,236	2,419,306	1,090,931	343,889	747,042
174	Vashon	King	1,313,914	41,348	338,316	934,250	670,409	263,842	182,951	80,890
175	Stanwood	Snohomish	2,081,405	57,808	535,935	1,487,662	1,001,259	486,403	182,034	304,369
176	Auburn	King	3,015,501	115,196	776,453	2,123,852	1,441,235	682,617	213,495	469,122
177	Vancouver	Clark	3,616,321	157,498	931,156	2,527,667	1,719,657	808,009	293,228	514,781
178	Spokane	Spokane	2,347,485	176,134	604,447	1,566,904	1,106,883	460,021	217,481	242,540
179	North Bend	King	1,895,045	85,872	487,950	1,321,223	928,204	393,019	195,080	197,939
181	Spokane	Spokane	2,876,807	125,737	740,741	2,010,329	1,407,417	602,913	253,001	349,912
182	Seattle	King	2,161,485	49,252	556,555	1,555,678	1,085,311	470,367	245,775	224,592
SLS TOTAL			\$439,230,110	\$22,247,731	\$113,096,122	\$303,886,257	\$213,272,763	\$90,613,494	\$36,804,189	\$53,809,304
Average/store			\$2,797,644	\$141,705	\$720,357	\$1,935,581	\$1,358,425	\$577,156	\$234,422	\$342,734
At 25 Stores			\$69,941,100	\$3,542,632	\$18,008,937	\$48,389,531	\$33,960,631	\$14,428,900	\$5,860,540	\$8,568,361

FTES: 580.00
Number of Stores 157.00
Average per store 3.69

FTEs. at 25 Stores 92.36

Notes:
(1) See FY 2002 Store Expenses for detail

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WSLCB**SB 5522 Pilot Project for Privatization****Pro-forma Income Statements for 25 Stores and 75 Franchisee Stores**

		Existing	Pilot Project -75 new Franchisees		
		Ave. 25 Stores	WSLCB Wholesale	75 Franchisees	Per Franchisee
(1)	Gross Liquor Sales	\$69,941,100	\$36,745,403	\$69,941,100	\$932,548
(1)	Less: Discounts	3,542,632	0	3,542,632	47,235
(1)	Less: Liquor Taxes	18,008,937	0	18,008,937	240,119
(1)	Net Liquor Sales	48,389,531	36,745,403	48,389,531	645,194
(1)	Less: Cost of Liquor	33,960,631	33,960,631	\$36,745,403	\$489,939
(1)	Gross Margin	14,428,900	2,784,772	11,644,128	155,255
WSLCB RETAIL COSTS					
(2)	25 Direct Store Expenses	5,860,540	0	0	0
(3)	Purchasing	50,690	50,690	0	0
(3)	Distribution	636,643	636,643	0	0
(3)	Other Mechandising	97,523	97,523	0	0
(3)	Other Agency costs	1,891,395	1,891,395	0	0
	WSLCB Costs	8,536,791	2,676,251	0	0
(4)	ESTIMATED FRANCHISEE COSTS				
	Salary and Benefits	0	0	3,750,000	50,000
	Rents	0	0	4,467,145	59,562
	Other Goods & Services	0	0	1,558,440	20,779
	B & O Tax (0.471% of Net Sales)	0	0	227,915	3,039
	Franchise Fee	0	0	75,000	1,000
	Liquor License Fee	0	0	75,000	1,000
	Franchisee Costs	0	0	10,153,499	135,380
	Net Income	\$5,892,109	\$108,521	\$1,490,629	\$19,875

Percent of Net Liquor Sales (Net
Income/Net Liquor Sales)

12.18%

0.30%

3.08%

3.08%

(see notes on next page)

- (1) See FY 2002 Store Rev and Expense (Attachment 1)
Markup set at 8.2%. This allows WSLCB to pay for costs and allows the Franchisee to make a small profit.
- (2) See FY 2002 Store Expenses (Attachment 4)
- (3) Allocated based on FY 2002 Budget times (25 stores divided by 312 State and Contract Liquor Stores)

WSLCB expenses do not include additional costs to establish and maintain 3rd accounting system, contractual and bidding process, licensing and enforcement staff, increased expenses and FTEs at the Seattle Distribution Center to accommodate 50 new stores.

- (4) Estimated in order to determine what a Franchisee might make in profits, and consequently what they might be willing to pay for a Franchise fee. All per Franchisee figures 1/75th of "75 Franchisees" column.

Type of expense	Assumptions
Salary and Benefits	2.50 workers at minimum wage (\$7.01) times 2080 hours per full time worker (40 hrs/week times 52 weeks) plus an amount for benefits, OASI, employment tax, L & I. Etc. \$59,562 per Franchisee based on WSLCB's cost of \$64,208 per store, but deflated
Rents	slightly for potentially smaller retail spaces.
Other Goods & Services	Estimate based on WSLCB costs.
B & O Tax (0.471% of Net Sales)	Net Liquor Sales times retailing B & O rate of 0.471% (or 0.00471) \$1,000 based on the the "Per Franchisee Income Statement-above." This fee is set at a
Franchise Fee	minimum because of the low net income potential.
Liquor License Fee	\$1,000 per license fee based on West Virginia's cost.

Attachment 3
 WSLCB
 SUMMARY OF INCREMENTAL IMPACTS
 SB 5522

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
Liquor Revolving Account-1 Total	04-55				0	(5,672,064)	(11,494,128)	(11,494,128)	(11,494,128)
		\$0	\$0	\$0	\$0	(\$5,672,064)	(\$11,494,128)	(\$11,494,128)	(\$11,494,128)

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
Liquor Revolving Account-1 Total					200,000	(2,340,430)	(5,710,126)	(5,710,126)	(5,710,126)
		\$0	\$0	\$0	\$200,000	(\$2,340,430)	(\$5,710,126)	(\$5,710,126)	(\$5,710,126)

Incremental Changes									
FTEs	0	(44.5)	(89.0)	(89.0)	(89.0)				
Salaries/annual l	\$0	(\$1,357,839)	(\$2,765,609)	(\$2,765,609)	(\$2,765,609)				
Benefits/unemplo	0	(24,702)	(\$863,389)	(\$863,389)	(\$863,389)				
PS Contracts	200,000	0	\$0	\$0	\$0				
Goods/Services	0	(1,040,564)	(\$2,081,127)	(\$2,081,127)	(\$2,081,127)				
Equipment	0	82,675	\$0	\$0	\$0				
Total	\$200,000	(\$2,340,429)	(\$5,710,125)	(\$5,710,125)	(\$5,710,125)				

Note: Expenditures are a combination of (a) eliminating store expenses, plus (b) adding new expenses for Enforcement and Licensing positions.

Net Impact to LRA		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
Liquor Revolving Account-1					(200,000)	(3,331,634)	(5,784,002)	(5,784,002)	(5,784,002)
Total		\$0	\$0	\$0	(\$200,000)	(\$3,331,634)	(\$5,784,002)	(\$5,784,002)	(\$5,784,002)

Net Impact to Distribution		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 governments @ 50.15%					(100,300)	(1,670,814)	(2,900,677)	(2,900,677)	(2,900,677)
General Fund @ 49.85%					(99,700)	(1,660,819)	(2,883,325)	(2,883,325)	(2,883,325)
Total		\$0	\$0	\$0	(\$99,700)	(\$3,331,634)	(\$5,784,002)	(\$5,784,002)	(\$5,784,002)



BUILDING BLOCKS OF ANALYSIS

Step 1: Existing situation for 25 Stores-See Pro-Forma Income Statement for existing system (see attachment 2)

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
Gross Margin		\$14,428,900	\$14,428,900	\$14,428,900	\$14,428,900	\$14,428,900	\$14,428,900	\$14,428,900	\$14,428,900
Operating Expenses		8,536,791	8,536,791	8,536,791	8,536,791	8,536,791	8,536,791	8,536,791	8,536,791
Net Profit		\$5,892,109	\$5,892,109	\$5,892,109	\$5,892,109	\$5,892,109	\$5,892,109	\$5,892,109	\$5,892,109

Step 2: Reducing Markup, so the Franchisee can make a marginal profit. Eliminating cost of 25 State Stores, but leaving enough to pay for allocable operations

See Pro-Forma Income Statement for Existing System

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
Liquor Revolving Account-1	04-55	0	0	0	0	8,606,836	2,784,772	2,784,772	2,784,772
Total		\$0	\$0	\$0	\$0	\$8,606,836	\$2,784,772	\$2,784,772	\$2,784,772

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
Liquor Revolving Account-1		0	0	0	0	5,606,521	2,676,251	2,676,251	2,676,251
Total		\$0	\$0	\$0	\$0	\$5,606,521	\$2,676,251	\$2,676,251	\$2,676,251

25 Stores (see Attachment FY 2002 Store Expenses)

FTEs	92.00	46.00	0.00	0.00	0.00
Salaries	\$2,887,897	\$1,443,949	\$0	\$0	\$0
Benefits	891,515	445,758	0	0	0
PS Contracts	0	0	0	0	0
Goods/Services	2,081,127	1,040,564	0	0	0
Equipment	0	0	0	0	0
Other Agency	2,676,251	2,676,251	2,676,251	2,676,251	2,676,251
Total	\$5,860,539	\$5,606,521	\$2,676,251	\$2,676,251	\$2,676,251

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Step 3: Establishing Franchises and adding new duties, unemployment and annual leave buy-out

New Franchise fees and Liquor License fees for 75 Franchisees

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
Liquor Revolving Account-1	02-05	0	0	0	0	150,000	150,000	150,000	150,000
Total		\$0	\$0	\$0	\$0	\$150,000	\$150,000	\$150,000	\$150,000

See explanation below

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
Liquor Revolving Account-1		0	0	0	200,000	589,840	150,414	150,414	150,414
Total		\$0	\$0	\$0	\$200,000	\$589,840	\$150,414	\$150,414	\$150,414

FTEs	0.00	1.50	3.00	3.00	3.00
Salaries/annual leave	\$0	\$86,110	\$122,288	\$122,288	\$122,288
Benefits/unemployment	0	\$421,055	28,126	28,126	28,126
PS Contracts	200,000	0	0	0	0
Goods/Services	0	0	0	0	0
Equipment	0	82,675	0	0	0
Total	\$200,000	\$589,840	\$150,414	\$150,414	\$150,414

Note:

FY 2005 PS Contracts for establishing franchise system
FY 2006 salaries and benefits for one-half year.
FY 2007-2009 salaries and benefits for full years
FY 2006 salaries includes \$25,000 annual leave buy-out.
Salaries:
2 FTEs @ Liquor Enforcement Officer 2. Range 47 Step K -\$43,644/yr
1 FTE @ Liquor License Specialist 2. Range 38 step K-\$34,932/yr.
FY 2006 benefits includes \$407,000 unemployment
Benefits @ 23% of salaries
Equipment: One-time equipment for staff. Includes office equipment, vehicles, and safety gear.

STORE EXPENSE -- FISCAL YEAR ENDED JUNE 30, 2002

STORE #	LOCATION	SALARIES	EMPLOYEE BENEFITS	COMMUNICATIONS	UTILITIES	RENTS	REPAIRS, ALTERATIONS AND MAINTENANCE	TRAVEL	OTHER GOODS & SERVICES	BRAKAGE/CAS H SHORTAGE	TOTAL EXPENSE
1	Seattle	79,928	26,315	1,376	5,455	106,978	2,953	375	6,806	1,048	231,234
2	Seattle	95,197	27,783	1,754	3,420	115,752	852	38	4,645	1,652	251,093
4	Tacoma	109,335	35,153	1,856	4,387	68,669	2,037	505	6,939	2,323	231,204
6	Everett	95,455	27,749	3,067	4,369	66,684	162	442	4,382	397	202,707
7	Yakima	131,589	38,991	1,782	6,348	74,386	309	962	8,588	2,722	265,677
8	Aberdeen	123,074	38,352	1,797	8,163	43,800	572	378	6,595	1,999	224,730
9	Walla Walla	80,630	27,307	1,250	5,326	37,272	0	0	3,412	1,090	156,287
10	Vancouver	103,450	33,107	1,504	5,967	44,632	552	136	7,335	1,525	198,208
11	Olympia	132,171	46,988	638	8,538	76,620	346	401	7,857	3,416	276,975
12	Wenatchee	117,742	34,416	1,446	3,996	46,272	437	0	7,645	1,226	213,180
13	Longview	112,951	35,740	1,961	5,284	48,000	988	286	6,406	1,556	213,172
14	Port Angeles	124,333	36,092	1,357	4,498	38,844	556	867	7,141	947	214,635
16	Centralia	88,729	24,411	1,733	4,070	39,320	191	521	4,239	2,022	165,236
18	Mt. Vernon	110,784	45,120	1,861	6,483	53,743	494	193	11,355	1,337	231,370
19	Clarkston	70,854	19,405	2,776	5,086	30,240	411	428	3,278	392	132,870
20	Woodinville	125,284	37,370	2,681	5,524	81,913	343	188	7,299	630	261,232
21	Ellensburg	95,368	30,214	1,665	7,014	37,200	1,520	116	6,042	909	180,048
22	Seattle	160,165	45,408	2,448	7,444	69,399	545	71	10,532	2,201	298,213
23	Puyallup	127,100	36,931	1,551	4,940	72,343	116	315	8,953	3,908	256,157
24	Anacortes	106,337	33,611	4,091	3,804	78,254	531	1,182	7,315	689	235,814
25	Renton	173,660	50,044	2,258	5,226	54,420	2,868	373	13,037	2,051	303,937
26	Chehalis	76,553	25,588	1,405	2,668	39,060	1,083	169	3,794	(4,365)	145,955
27	Kelso	80,157	23,947	1,394	4,720	47,400	32		3,588	6,583	167,821
28	Seattle	176,441	49,600	2,083	5,163	65,663	352	1,120	16,295	2,435	319,152
29	Puyallup	90,904	27,393	1,309	4,780	55,906	867	10	6,416	611	188,196
30	Shelton	104,340	30,335	954	8,711	53,120	418	239	6,871	741	205,729
31	Port Townsend	93,474	26,762	1,230	4,514	58,758	159	147	4,259	1,252	190,555
32	Enumclaw	101,335	28,481	2,157	3,748	35,400	286	37	4,432	3,421	179,297
33	Redmond	154,862	45,125	4,404	10,375	92,500	2,773	391	11,119	6,023	327,572
34	Auburn	99,384	27,973	1,404	3,232	58,812	610	126	5,844	867	198,252
35	Pasco	104,232	29,194	1,960	9,578	48,000	1,449	4	8,234	2,319	204,970
37	Arlington	81,655	26,273	1,811	8,028	43,000	275	0	3,555	587	165,184
39	Colville	65,602	19,888	2,598	4,780	31,755	5,772	311	7,354	658	138,718

STORE #	LOCATION	SALARIES	EMPLOYEE BENEFITS	COMMUNICATIONS	UTILITIES	RENTS	REPAIRS, ALTERATIONS AND MAINTENANCE	TRAVEL	OTHER GOODS & SERVICES	BRAKAGE/CAS H SHORTAGE	TOTAL EXPENSE
40	Spokane	172,624	51,296	1,884	11,772	67,677	2,431	672	13,282	6,656	328,294
42	Seattle	115,897	37,010	1,319	4,547	116,895	159	365	6,200	1,675	284,067
43	Seattle	140,978	43,973	1,915	7,002	69,696	834	748	11,354	2,389	278,889
44	Spokane	88,927	24,682	1,588	3,549	51,120	31	10	7,336	2,178	179,421
45	Seattle	125,257	38,183	2,134	5,977	41,886	1,136	89	8,672	(199)	223,135
46	Seattle	157,329	53,097	3,388	19,302	278,109	29	152	19,551	3,008	533,965
47	Seattle	157,595	48,541	1,854	8,188	61,130	668	(3)	9,664	3,513	291,150
48	Bellingham	86,323	29,336	1,583	7,388	44,124	1,033	334	5,803	724	176,648
49	Pullman	93,700	28,129	2,334	11,855	33,120	465	137	3,702	1,309	174,751
51	Spokane	115,543	35,941	2,076	13,032	49,542	209	3,493	7,240	1,016	228,092
52	Puyallup	99,809	39,381	2,056	5,783	40,554	2,608	76	5,684	967	196,918
53	Seattle	130,994	37,577	1,142	4,973	90,838	2,172	4	9,485	4,216	281,401
55	Seattle	182,666	51,142	1,413	6,808	75,073	1,794	222	11,100	3,441	333,659
56	Spokane	92,954	24,646	1,664	1,022	54,000	227	40	4,480	566	179,599
57	Kirkland	156,606	49,939	2,971	7,347	86,345	288	91	10,351	(1,729)	312,209
58	Bremerton	128,261	41,964	3,028	8,051	54,461	3,238	399	7,415	1,677	248,494
60	Bonney Lake	95,118	29,024	1,867	5,258	46,552	153	143	5,975	1,045	185,135
61	Bothell	115,527	35,955	2,029	9,291	46,714	1,772	216	6,535	900	218,939
62	Edmonds	121,162	37,124	2,486	5,322	70,973	262	1,112	7,934	1,077	247,452
63	Tacoma	147,709	45,585	1,670	7,002	64,420	529	92	9,989	3,868	280,864
64	Tacoma	106,636	35,650	1,212	4,223	47,679	1,537	82	6,865	1,796	205,680
65	Spokane	158,575	50,893	2,390	13,642	77,940	194	362	11,718	2,943	318,657
66	Kent	99,565	28,642	1,761	5,442	52,724	225	950	6,802	4,334	200,445
67	Richland	107,811	33,120	2,579	5,885	70,000	198	796	7,190	1,103	228,682
68	Tacoma	142,734	45,480	1,631	5,499	53,697	658	112	8,670	4,931	263,412
69	Seattle	117,485	34,020	2,201	2,258	63,510	1,175	5	6,711	1,848	229,213
70	Moses Lake	95,845	29,583	1,668	5,806	31,941	103	51	7,955	1,904	174,856
72	Mercer Island	101,849	31,698	2,852	4,520	99,312	2,572	379	7,136	1,222	251,540
73	Mountlake Terra	85,816	26,886	2,749	9,555	62,544	75	466	5,497	901	194,489
74	Lynnwood	138,664	39,903	4,870	7,582	69,471	482	238	9,468	3,926	274,604
75	Everett	151,819	45,765	1,604	5,103	78,681	508	0	9,160	3,112	295,752
76	Kent	135,692	37,323	2,350	8,137	63,730	1,330	91	8,500	2,949	260,102
77	Seattle	165,897	50,233	3,240	7,363	86,611	185	82	15,773	4,229	333,613
79	Mill Creek	151,255	46,696	3,097	4,462	80,106	289	55	11,794	1,343	299,097
80	Monroe	67,322	19,492	3,231	6,417	47,334	695	946	7,172	1,203	153,812
81	Renton	131,679	40,546	1,344	8,736	58,436	628	352	9,468	2,481	253,670
82	Kent	103,718	34,530	1,772	4,319	67,636	359	118	5,816	1,430	219,698
83	Seattle	94,923	31,251	1,528	4,784	80,287	159	163	6,637	759	220,491

STORE #	LOCATION	SALARIES	EMPLOYEE BENEFITS	COMMUNICATIONS	UTILITIES	RENTS	REPAIRS, ALTERATIONS AND MAINTENANCE	TRAVEL	OTHER GOODS & SERVICES	BRAKAGE/CAS H SHORTAGE	TOTAL EXPENSE
84	Tacoma	91,604	28,382	1,662	4,619	42,979	2,417	257	4,529	1,615	178,064
85	Bellevue	106,337	36,179	2,639	7,421	83,137	296	195	5,540	1,724	243,468
86	Sea-Tac	132,637	44,503	4,383	8,023	78,459	42	510	9,778	2,464	280,799
89	Seattle	83,542	26,462	1,809	3,462	38,426	195	114	3,765	(472)	157,303
90	Port Orchard	108,939	29,689	1,328	5,343	65,319	425	101	7,210	(12,944)	205,410
91	Seattle	71,208	24,899	1,768	5,560	30,949	225	29	4,940	1,547	141,125
92	Tacoma	99,025	30,646	1,750	4,040	59,239	690	128	5,607	695	201,820
93	Seattle	102,352	34,393	2,156	7,024	78,300	831	87	6,417	517	232,077
94	Yakima	110,158	34,964	2,063	5,924	57,600	1,222	37	7,546	661	220,175
95	Bainbridge Islan	96,072	31,284	3,682	4,690	71,490	55	796	5,712	883	214,664
96	Seattle	198,913	58,229	3,040	6,784	115,722	1,502	632	13,957	13,136	411,915
97	Seattle	146,210	44,988	2,793	5,794	59,520	1,254	157	7,193	1,980	269,889
98	Bellevue	138,553	35,882	2,287	13,541	153,372	240	294	12,293	4,275	360,737
99	Issaquah	111,462	35,792	3,318	5,117	84,204	2,200	187	11,151	2,934	256,365
101	Seattle	274,871	79,280	2,593	21,692	98,513	3,751	639	31,659	10,355	523,353
102	Kent	135,881	40,624	1,321	6,377	52,564	791	387	8,075	1,111	247,131
103	Tacoma	151,557	45,629	1,183	5,103	57,372	356	362	8,539	3,260	273,361
104	Seattle	100,572	28,825	1,762	3,855	48,048	263	440	6,695	5,043	195,503
105	Tacoma	104,945	35,176	1,238	5,507	72,000	471	561	5,482	1,934	227,314
106	Vancouver	103,307	29,093	1,535	3,618	66,385	160	171	7,149	1,618	213,036
107	Seattle	102,684	31,290	1,379	4,580	37,876	224	244	7,510	2,288	188,075
108	Vancouver	146,821	45,256	2,029	7,482	64,766	1,350	209	8,922	4,232	281,067
110	Lacey	164,071	47,876	753	7,098	76,344	722	152	7,997	2,391	307,404
111	Fife	107,973	34,678	3,143	4,698	69,559	851	401	7,710	843	229,856
112	Federal Way	181,003	56,719	3,989	5,354	104,624	159	311	11,017	3,808	366,984
114	Newcastle	88,874	27,373	1,872	5,054	57,521	129	118	4,969	3,833	189,743
115	Bellevue	133,887	49,189	1,977	8,462	108,073	1,427	347	7,207	4,332	314,901
116	Everett	162,289	49,313	3,018	6,197	42,000	311	97	10,180	2,338	275,743
117	Spokane	114,377	33,233	1,433	15,346	55,001	166	14	6,499	2,034	228,103
118	Seattle	144,444	46,717	1,394	9,126	36,960	692	196	9,083	4,347	252,959
119	Redmond	84,884	21,255	2,291	3,892	57,716	130	8	5,147	(1,768)	173,555
120	Bellevue	116,037	37,759	2,174	10,460	94,366	2,761	210	6,687	(7,710)	262,744
122	Tacoma	177,499	53,418	1,994	7,174	75,000	881	75	24,275	5,770	346,086
123	Bellingham	118,018	42,730	2,446	7,093	57,467	194	571	9,217	1,794	239,530
124	Tumwater	111,408	36,299	724	6,378	66,300	364	16	7,813	1,819	231,121
125	Everett	162,937	59,977	2,224	4,908	61,483	929	522	10,962	3,239	307,181
126	Bremerton	104,459	29,260	2,996	6,352	75,864	259	628	5,935	971	226,724
127	Lynnwood	103,317	32,235	2,422	4,118	79,701	3,253	41	12,274	1,626	238,987

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STORE #	LOCATION	SALARIES	EMPLOYEE BENEFITS	COMMUNICATIONS	UTILITIES	RENTS	REPAIRS, ALTERATIONS AND MAINTENANCE	TRAVEL	OTHER GOODS & SERVICES	BRAKAGE/CAS H SHORTAGE	TOTAL EXPENSE
128	Seattle	100,508	34,135	1,109	3,009	65,534	520	160	5,864	1,944	212,783
129	Silverdale	97,250	32,513	3,041	5,565	82,980	1,479	67	7,534	1,361	231,790
130	Bellingham	123,678	39,383	2,178	5,378	49,330	1,349	479	11,967	2,582	236,324
131	Bellevue	81,633	21,311	2,069	5,003	48,720	138	576	5,305	759	165,514
132	Tacoma	91,942	33,123	1,061	5,454	66,992	314	19	4,258	786	203,949
134	Oak Harbor	82,113	25,517	1,859	6,047	43,800	166	860	5,218	1,289	166,869
135	Sequim	103,810	33,252	2,542	6,505	57,615	1,202	680	5,869	3,069	214,544
136	Seattle	96,043	35,456	1,816	11,519	61,841	217	512	6,997	1,632	216,033
137	East Wenatchee	99,484	28,452	1,975	1,345	44,680	215	28	4,916	636	181,731
138	Snohomish	105,397	32,001	2,852	8,358	55,680	2,358	61	6,408	1,615	214,730
139	Sumner	91,678	35,661	2,037	8,214	40,428	402	61	5,630	565	184,676
140	Blaine	58,208	18,581	2,329	4,517	40,705	225	332	3,212	(79)	128,030
141	Lake Stevens	91,374	28,914	2,526	5,368	71,101	2,751	318	6,269	1,762	210,383
142	Sedro Woolley	78,838	29,828	1,096	5,562	33,084	532	306	4,860	805	154,911
144	Lynnwood	149,252	39,849	2,244	5,373	56,354	515	232	10,141	13,355	277,315
145	Poulsbo	90,727	27,406	1,650	6,886	73,229	1,641	59	4,173	894	206,665
147	Chelan	80,357	26,041	2,377	3,472	27,775	269	0	3,831	352	144,474
148	Longview	103,936	29,138	1,133	6,621	44,187	276	171	5,172	2,127	192,761
150	Gig Harbor	141,606	44,459	2,172	5,363	73,769	985	249	8,279	2,035	278,917
151	Ocean Shores	85,573	24,087	4,963	6,080	45,674	6,559	171	4,401	460	177,968
152	Burlington	101,422	32,930	2,334	5,836	75,974	267	306	7,093	1,177	227,339
153	Ferndale	95,860	27,943	3,423	2,160	48,000	29	5	4,619	926	182,965
154	Puyallup	98,662	28,335	1,833	5,820	36,792	666	71	6,408	(1,706)	176,881
155	Kirkland	140,155	40,662	2,762	6,236	75,004	993	349	10,346	4,950	281,457
156	Federal Way	120,848	32,325	897	5,925	65,053	560	55	7,881	(3,255)	230,289
157	Burien	189,495	57,192	2,614	9,544	89,718	471	489	13,623	6,006	369,152
158	Renton	106,033	34,905	1,394	4,050	64,868	419	22	5,711	1,356	218,758
159	Kennewick	94,582	32,062	2,972	4,142	50,604	67	674	6,830	1,271	193,204
160	Kent	118,454	37,066	2,548	5,547	55,396	727	323	7,004	1,490	228,555
161	Tacoma	100,567	28,486	2,022	4,358	63,576	29	371	5,595	1,102	206,106
162	Belfair	59,187	19,656	3,201	5,674	73,023	492	190	3,281	628	165,332
163	Olympia	109,320	36,740	845	6,380	75,503	739	242	6,971	1,474	238,214
164	Walla Walla	93,407	42,907	1,391	7,345	42,971	664	0	4,032	271	192,988
165	Yakima	103,748	36,024	1,271	5,375	56,478	761	188	5,823	1,127	210,795
167	Spokane	122,289	36,665	1,947	4,650	63,017	900	1,530	6,997	1,434	239,429
169	Friday Harbor	90,362	27,480	2,541	2,571	64,402	1,078	24	5,966	443	194,867
170	Kent	69,107	17,113	1,922	6,054	66,440	3,257	430	6,741	2,274	173,338
171	Kennewick	140,047	42,648	1,194	5,996	62,262	622	373	8,595	2,968	264,705

STORE #	LOCATION	SALARIES	EMPLOYEE BENEFITS	COMMUNICATIONS	UTILITIES	RENTS	REPAIRS, ALTERATIONS AND MAINTENANCE	TRAVEL	OTHER GOODS & SERVICES	BRAKAGE/CAS H SHORTAGE	TOTAL EXPENSE
172	Marysville	115,662	33,026	5,014	6,173	63,696	159	0	6,711	1,530	231,971
173	Vancouver	173,273	49,206	2,434	5,591	99,754	410	483	10,502	2,236	343,889
174	Vashon	77,131	25,745	1,686	3,339	69,824	513	358	4,194	161	182,951
175	Stanwood	94,759	30,450	2,476	6,559	43,200	519	34	5,285	(1,248)	182,034
176	Auburn	110,071	35,566	1,224	1,574	54,600	1,592	75	7,592	1,201	213,495
177	Vancouver	138,315	34,873	2,305	7,659	96,340	592	1,393	9,323	2,428	293,228
178	Spokane	107,335	32,340	1,857	6,700	62,496	32	17	6,510	194	217,481
179	North Bend	91,970	31,361	2,497	4,387	58,380	882	3	5,025	575	195,080
181	Spokane	126,842	37,388	1,827	7,765	67,206	2,863	478	7,083	1,549	253,001
182	Seattle	125,219	33,714	1,385	5,247	69,339	728	0	8,123	2,020	245,775
Total		18,135,995	5,598,713	331,454	978,403	10,080,596	137,601	48,039	1,206,455	286,933	36,804,189
Average		\$115,516	\$35,661	\$2,111	\$6,232	\$64,208	\$876	\$308	\$7,684	\$1,828	\$234,422
For 25 Stores		\$2,887,897	\$891,515	\$52,779	\$155,797	\$1,605,190	\$21,911	\$7,699	\$192,111	\$45,690	\$5,860,540
SALARIES		\$2,887,897									
BENEFITS		891,515									
RENTS		1,605,190									
Other G/S		475,937									
		\$5,860,540									
TOTAL STORE		580.00									
Number of Store		157									
Average FTE per		3.69									
FTEs. at 25 Stores		92.36									

LOCAL GOVERNMENT FISCAL NOTE

Revised

Department of Community, Trade and Economic Development

Bill Number: 5522 SB	Title: Privatizing liquor sales
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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:
- ☐ 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		(80,114)	(80,114)	(3,532,732)	(4,475,078)
County		(20,186)	(20,186)	(920,041)	(1,167,558)
Special District					
TOTAL \$		(100,300)	(100,300)	(4,452,773)	(5,642,636)
GRAND TOTAL \$					(10,195,709)

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: 02/12/2003
Leg. Committee Contact: Elizabeth Mitchell	Phone: (360)786-7430	Date: 01/28/2003
Agency Approval: Louise Deng Davis	Phone: (360) 725-5034	Date: 02/12/2003
OFM Review: Tristan Wise	Phone: 360-902-0546	Date: 02/12/2003

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 initiates a pilot project to create a private liquor franchise by closing 25 state-run stores and awarding franchises to operate a private liquor retail business.

Section 1 establishes the intent to close stores, monitor the revenue impact of store closures and consider closing more state-run stores in the future.

Section 3 creates a task force to advise the liquor control board as it implements a private franchise system. The task force is to include a representative of city governments and county governments, who would be reimbursed for travel expenses. The state legislature is charged with paying for all task force expenses. This section requires the task force to make a recommendation by Dec. 31, 2007, as to whether the franchise system should be expanded, kept the same or discontinued.

Section 4 directs that 25 state-run stores be closed by Dec. 31, 2005. The section provides that the board, with input from the task force, is to determine which stores to close, establish franchise areas in locations where stores are closed, and accept bids for and award franchise agreements. Up to three agreements may be awarded in each franchise area. This section also establishes that franchise agreements last four years.

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.

Expenditure impact to local governments is expected to be negligible. While the bill requires a representative for counties and cities to serve on the task force, travel expenses are paid by the legislature.

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 \$1.6 million in fiscal year 2006 (FY06) and \$2.8 million per year after FY06 as a result of this bill. Cities are expected to lose nearly \$1.3 million in FY06 and \$2.2 million a year after FY06. Counties are expected to lose \$336,262 in FY06 and \$583,779 per year after FY06. The revenue loss represents a decrease in liquor-sale profits, offset by anticipated revenue from franchise fees and liquor license fees, and, for cities, new local business and occupation (B&O) tax revenue generated by private liquor retailers. Additionally, local governments would receive \$100,300 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.

DISCUSSION:

Revenue impacts were calculated as follows:

FY06 net impact to Liquor Revolving Account: (\$3,331,634)

FY07 and beyond net impact to Liquor Revolving Account: (\$5,784,002)

(Data source: Liquor Control Board. See board's note for detailed net impact calculation.)

Distribution of net yearly profit loss from Liquor Revolving Account:

As required by statute, excess funds generated by liquor sales (profits) in the Liquor Revolving Account 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: $.003 \times (\$3,331,634) = (\$9,995)$

After the border-area distribution, the remaining profit loss is $\$3,321,639 [(\$3,331,634) - (\$9,995) = (\$3,321,639)]$.

Local loss distribution after FY06 is calculated as follows:

Distribution from net profit loss to border areas: $.003 \times (\$5,784,002) = (\$17,352)$

After the border-area distribution, the remaining profit loss is $\$5,766,650 [(\$5,784,002) - (\$17,352) = (\$5,766,650)]$.

FY06 city and county loss distribution:

Counties: .10 x (\$3,321,639) = (\$332,164)

Cities: .40 x (\$3,321,639) = (\$1,328,656)

City and county loss distribution after FY06:

Counties: .10 x (\$5,766,650) = (\$576,665)

Cities: .40 x (\$5,766,650) = (\$2,306,660)

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 Liquor Control Board.

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

FY06

City losses (\$1,328,656)

Estimated local B&O revenue + \$39,360

(\$1,289,296)

After FY06

City losses (\$2,306,660)

Estimated local B&O revenue + \$79,359

(\$2,227,301)

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

Summary of FY06 local loss

City loss = (\$1,289,296)

County loss = (\$332,164)

Border area loss = (\$9,995)

FY06 total local loss: (\$1,631,455)

Summary of yearly local loss after FY06:

City loss = (\$2,227,301)

County loss = (\$576,665)

Border area loss = (\$17,352)

Total local loss after FY06: (\$2,821,318)

REVENUE GAIN – B&O

Cities could gain revenue with the addition of a local B&O tax to the 75 private liquor retailers authorized under this bill. Local B&O tax could be as much as \$39,360 in FY06 and \$79,359 per fiscal year after FY06. 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 retail businesses, according to DOR. Counties are not authorized to levy B&O taxes. (See "Assumptions")

ASSUMPTIONS:

Revenue Gain – B&O

The revenue cities could gain from local B&O taxes is based on the projected net liquor sales for the proposed 75 private liquor stores. The liquor board estimates net sales to be \$48,389,531 per year. Under Section 4, private franchises are to replace state stores by Dec. 31, 2005. Therefore, the stores would be operating for approximately half of FY06, and cities could capture B&O tax revenue for half of that year. Half of the projected yearly net sale figure is \$24,00,000, which is used as the base to calculate local B&O tax revenue for FY06. Potential local B&O revenue is calculated by multiplying the estimated sales by the average local B&O retail rate (\$24,000,000 x 0.00164 = \$39,360 for FY06; \$48,389,531 x 0.00164 = \$79,359 for FY07 and beyond). This calculation is based on data from the liquor board's fiscal note and the Association of Washington Cities' 2003 Local B&O Tax Rates report. The above calculation assumes that the 75 stores will be located in cities, and that the cities levy a B&O tax on those liquor retailers.

However, it is not yet known where the 75 stores would be located. Only cities, and not counties, may levy a B&O tax. Currently only 37 cities in Washington do so. If any of the proposed stores are located in unincorporated areas, or in cities that do not levy a B&O tax, then B&O tax revenue would be lower than the above calculation.

SOURCES:

