

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5266 SB	<b>Title:</b> Products sold to adults 21+
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## Estimated Cash Receipts

Agency Name	2021-23			2023-25			2025-27		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Liquor and Cannabis Board	0	0	187,500	0	0	187,500	0	0	187,500
<b>Total \$</b>	<b>0</b>	<b>0</b>	<b>187,500</b>	<b>0</b>	<b>0</b>	<b>187,500</b>	<b>0</b>	<b>0</b>	<b>187,500</b>

Agency Name	2021-23		2023-25		2025-27	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	Fiscal note not available					
Local Gov. Total						

## Estimated Operating Expenditures

Agency Name	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	Fiscal note not available											
Liquor and Cannabis Board	3.2	0	0	877,738	3.0	0	0	732,030	3.0	0	0	732,030
Department of Health	.0	0	0	0	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>3.2</b>	<b>0</b>	<b>0</b>	<b>877,738</b>	<b>3.0</b>	<b>0</b>	<b>0</b>	<b>732,030</b>	<b>3.0</b>	<b>0</b>	<b>0</b>	<b>732,030</b>

Agency Name	2021-23			2023-25			2025-27		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Fiscal note not available								
Local Gov. Total									

## Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	Fiscal note not available								
Liquor and Cannabis Board	.0	0	0	.0	0	0	.0	0	0
Department of Health	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

Agency Name	2021-23			2023-25			2025-27		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Fiscal note not available								
Local Gov. Total									

## Estimated Capital Budget Breakout

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<b>Prepared by:</b> Ramona Nabors, OFM	<b>Phone:</b> (360) 902-0547	<b>Date Published:</b> Preliminary 1/24/2021
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5266 SB	<b>Title:</b> Products sold to adults 21+	<b>Agency:</b> 195-Liquor and Cannabis Board
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## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2022	FY 2023	2021-23	2023-25	2025-27
Youth Tobacco and Vapor Products Prevention Account-State 235-1	38,000	38,000	76,000	76,000	76,000
Liquor Revolving Account-State 501-1	55,750	55,750	111,500	111,500	111,500
<b>Total \$</b>	93,750	93,750	187,500	187,500	187,500

### Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	3.3	3.0	3.2	3.0	3.0
<b>Account</b>					
Youth Tobacco and Vapor Products Prevention Account-State 235-1	38,000	38,000	76,000	76,000	76,000
Liquor Revolving Account-State 501-1	473,723	328,015	801,738	656,030	656,030
<b>Total \$</b>	511,723	366,015	877,738	732,030	732,030

### Estimated Capital Budget Impact:

NONE

*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: Alia Kennedy	Phone: 360-786-7405	Date: 01/16/2021
Agency Preparation: Colin O'Neill	Phone: (360) 522-2281	Date: 01/22/2021
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 01/22/2021
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 01/23/2021

## 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 2(6) – Money deposited into the Youth Tobacco and Vapor Products Prevention Account from the additional delivery sale license fee must be made available to the Board to hire staff for enforcement of laws and rules applicable to internet and other delivery sales of vapor products, including sales to minors and collection of the vapor product tax.

Section 3(9) – Defines flavored vapor products as "Flavored vapor product" means any vapor product that contains a taste or smell, other than the taste or smell of tobacco, that is distinguishable by an ordinary consumer either prior to or during the consumption of a vapor product including, but not limited to, any taste or smell relating to fruit, menthol, mint, wintergreen, chocolate, cocoa, vanilla, or honey, or any candy, dessert, alcoholic beverage, herb, or spice."

Section 4(1c) – adds a new vapor product manufacturer's license (Section 12 sets the fee at \$250)

Section 6 – the Board may establish an additional fee of up to \$250 for a vapor delivery sale license. The moneys from this additional \$250 are to be used by the Board (see sect 2(6).)

Section 7 – sets additional limits on the sale of products by a delivery sale licensee.

Section 10(12) – the Attorney General's office has primary jurisdiction over the Board's actions under section 10 and may seek recovery of penalties.

Section 13 – a vapor product may not be sold if the product has nicotine salts or other ingredients that result in nicotine concentrations greater than 20mg of nicotine per ml of liquid; nicotine equivalent to 2% of the total volume of liquid; or 20,000 ppm of nicotine in the liquid.

Section 14 – vapor product distributors and manufacturers who sell vapor products in this state must disclose ingredients to the Department of Health. The Board may use these disclosures for enforcement, investigation, research, and public information.

Section 15- flavored vapor products are banned.

Section 16- A local jurisdiction may limit the location of vapor product retailers within their jurisdiction.

Section 17 – menthol-flavored tobacco products are banned.

Section 19 – creates a vapor products surcharge and a tobacco products surcharge on manufacturers and distributors.

Section 21 – modifies the existing vapor products tax from a per ml rate to a percentage of the selling price on each retail sale.

Section 26 – creates a vapor product tax credit for preexisting wholesale inventory prior to the creation of the retail sales vapor product tax.

Section 31 – states that the entire bundled transaction is subject to the vapor product tax.

Section 32 – Indian retailers are not subject to the vapor product retail tax.

Section 33 – the Board may adopt rules as needed.

Section 34 – repeals three RCW (state pre-emption, tax credit for out-of-state, and manufacturer’s representatives)

Section 38 – sections 20-26 take effect January 1, 2022

Section 39 – sections 27 and 29 expire January 1, 2022

Section 40 – section 19 is effective July 1, 2021 (surcharge)

## **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.*

Section 4(1c) – adds a new vapor product manufacturer’s license (Section 12 sets the fee at \$250). The agency estimates that 223 currently licensed vapor standalone retailers and distributors would need to obtain a manufacturer's license.  $223 \times \$250 = \$55,750/\text{yr}$ .

Section 6 – the Board may establish an additional fee of up to \$250 for a vapor product delivery sales license. The moneys from this additional fee are to be used by the Board (see sect 2(6).) There are currently 152 licensed vapor product delivery sales licenses. The agency assumes that the Board would establish the additional fee at \$250.  $\$250 \times 152 = \$38,000/\text{yr}$ .

## **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.*

### **ENFORCEMENT DIVISION:**

The Washington State Liquor and Cannabis Board ("Board") keeps detailed statistics on all of its enforcement activities and tracks this activity using a unit of measure called a Field Increment (FI). All direct enforcement activities such as premise checks, inspections and investigations are tracked to determine how many FI's are needed to accomplish each activity. Each FI is equivalent to 1/10th of an hour (6 minutes). For example, if a tavern premise check takes 2 FI's and two officers, it is anticipated that one check will consume 4 FI's. Using historical data to factor out indirect activities such as driving time, training, office time and leave, it has been determined that officers are available for an average of 4,220 FI's each year.

The Enforcement division anticipates workload impacts from this bill to be driven by complaints, surveillance operations, premises checks, education, audits, issuance of administrative violation notices (AVN), and annual inspections. Please see the attached "5266 SB Products sold to adults 21+ Enforcement Field Increment Calculator.pdf" for workload calculations.

3.0 FTE LCB Enforcement Officer 2 - \$366,015/yr (\$318,135 salary/benefits, \$47,880 in associated costs).  
 Onetime costs in FY22 of \$80,385 for equipment purchases.

Section 2(6) states that money deposited into the Youth Tobacco and Vapor Products Prevention Account from the additional delivery sale license fee must be made available to the Board to hire staff for enforcement of laws and rules applicable to internet and other delivery sales of vapor products, including sales to minors and collection of the vapor product tax. Estimated cash receipts from this additional fee is \$38,000/year so expenditures assume appropriation from this account consistent with the revenue estimates.

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**INFORMATION TECHNOLOGY DIVISION:**

There will be onetime costs in FY22 to implement the bill:

Vendor costs: iSeries and EN Notebook: \$19,600

0.3 FTE IT App Development - Senior/Specialist - \$45,723 (\$45,402 salary/benefits, \$321 in associated costs).

**Part III: Expenditure Detail**

**III. A - Operating Budget Expenditures**

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
235-1	Youth Tobacco and Vapor Products Prevention Account	State	38,000	38,000	76,000	76,000	76,000
501-1	Liquor Revolving Account	State	473,723	328,015	801,738	656,030	656,030
<b>Total \$</b>			511,723	366,015	877,738	732,030	732,030

**III. B - Expenditures by Object Or Purpose**

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	3.3	3.0	3.2	3.0	3.0
A-Salaries and Wages	258,308	223,812	482,120	447,624	447,624
B-Employee Benefits	105,229	94,323	199,552	188,646	188,646
C-Professional Service Contracts	19,600		19,600		
E-Goods and Other Services	53,046	13,980	67,026	27,960	27,960
G-Travel	45,480	33,480	78,960	66,960	66,960
J-Capital Outlays	30,060	420	30,480	840	840
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	511,723	366,015	877,738	732,030	732,030

**III. C - Operating FTE 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 2022	FY 2023	2021-23	2023-25	2025-27
IT App Development - Senior/Specialist	114,984	0.3		0.2		
LCB Enforcement Officer 2	74,604	3.0	3.0	3.0	3.0	3.0
<b>Total FTEs</b>		3.3	3.0	3.2	3.0	3.0

**III. D - Expenditures By Program (optional)**

<b>Program</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>2021-23</b>	<b>2023-25</b>	<b>2025-27</b>
Enforcement Division (060)	446,400	366,015	812,415	732,030	732,030
Information Technology Division (070)	65,323		65,323		
<b>Total \$</b>	511,723	366,015	877,738	732,030	732,030

**Part IV: Capital Budget Impact**

**IV. A - Capital Budget Expenditures**

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods*

NONE

**IV. D - Capital FTE Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

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.*

Section 33 – the Board may adopt rules as needed.

**Enforcement Field Increment (FI) Calculator**

**5266 SB "Products sold to adults 21+"**

	Number of events	Time Factor	Staffing Factor	FI Total
Vapor Product Complaints (non tobacco)	31	7	1.3	279
Surveillance Operations Long Term	8	100	3	2,300
Surveillance Operations (All others)	5	10	3	138
Vapor Retailers Premises Checks (vapor retailer only)	112	6	1.3	874
Non RVP Member Support and Education	259	7	1	1,810
OTP Audit (vapor only)	28	10	1	280
OTP Audit (vapor combo retailers)	140	10	1	1,397
Premises Checks Vapor Retailers (multiple license types)	349	6	1.3	2,724
Administrative Violation Notice (AVN) Issuance	31	12	1.3	478
Annual Inspection	124	10	1.3	1,612
<b>Total FI's</b>				<b>11,892</b>
<b>Total Field Increments per FTE</b>				<b>4,220</b>
<b>FTE's required</b>				<b>2.82</b>
<b>Round</b>				<b>3.00</b>

Factors	Estimate	Comments
Vapor products retail license	1,397	
Standalone vapor product retailers	112	
In-state vapor distributors	136	
<b>Total above lines</b>	<b>1,533</b>	
Other Tobacco Product Complaints	2%	historical data
Surveillance Operations Long Term	25%	
Surveillance Operations (All others)	15%	
Vapor Retailer Premises Checks	112	1 per year
Non RVP Member Support and Education	8%	
OTP Audit (vapor only)	25%	
OTP Audit (vapor combo retailers)	10%	
Premises Checks Vapor Retailers (multiple license types)	25%	increase in tax enforcement due
Administrative Violation Notice (AVN) Issuance	2%	historical data
Annual Inspection	50%	distributors/vape shops only



# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5266 SB	<b>Title:</b> Products sold to adults 21+	<b>Agency:</b> 303-Department of Health
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Operating Expenditures from:**

NONE

**Estimated Capital Budget Impact:**

NONE

*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: Alia Kennedy	Phone: 360-786-7405	Date: 01/16/2021
Agency Preparation: Melissa Hoyt	Phone: 360-236-4543	Date: 01/20/2021
Agency Approval: Carl Yanagida	Phone: 360-789-4832	Date: 01/20/2021
OFM Review: Danielle Cruver	Phone: (360) 522-3022	Date: 01/22/2021

## 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 amends RCW 82.25 which governs the existing tax on vapor products. Currently, the Department of Revenue (DOR) deposits fifty percent of the revenues collected from this tax into the foundational public health services account, which then may be appropriated by the legislature to support foundational public health services and other services defined under RCW 43.70.512 and RCW 43.70.515. This bill alters the calculation of the tax, which may change the amount of revenue DOR collects. Therefore, this may change the amount of funds deposited into the foundational public health account.

This bill does not have a direct fiscal impact to the Department of Health (DOH), but it may impact decisions as to the amount from the fund legislature may appropriate to support foundational public health services provided by DOH, the State Board of Health, local health jurisdictions, and tribes.

### 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.*

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.*

NONE

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

NONE

### III. B - Expenditures by Object Or Purpose

NONE

**III. C - Operating FTE Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

### III. D - Expenditures By Program (optional)

NONE

## Part IV: Capital Budget Impact

### IV. A - Capital Budget Expenditures

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods*

NONE

**IV. D - Capital FTE Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

NONE

**Part V: New Rule Making Required**