

Multiple Agency Fiscal Note Summary

Bill Number: 5614 SB	Title: Adult entertainment
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Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Liquor and Cannabis Board	0	0	72,000	0	0	72,000	0	0	72,000
Total \$	0	0	72,000	0	0	72,000	0	0	72,000

Agency Name	2023-25		2025-27		2027-29		
	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	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of Attorney General	Fiscal note not available											
Liquor and Cannabis Board	.2	0	0	144,537	.1	0	0	24,572	.1	0	0	24,572
Department of Labor and Industries	Fiscal note not available											
Total \$	0.2	0	0	144,537	0.1	0	0	24,572	0.1	0	0	24,572

Agency Name	2023-25			2025-27			2027-29		
	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	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of Attorney General	Fiscal note not available								
Liquor and Cannabis Board	.0	0	0	.0	0	0	.0	0	0
Department of Labor and Industries	Fiscal note not available								
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2023-25			2025-27			2027-29		
	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

NONE

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Prepared by: Amy Hatfield, OFM	Phone: (360) 280-7584	Date Published: Preliminary
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Individual State Agency Fiscal Note

Bill Number: 5614 SB	Title: Adult entertainment	Agency: 195-Liquor and Cannabis Board
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
Liquor Revolving Account-State 501-1	36,000	36,000	72,000	72,000	72,000
Total \$	36,000	36,000	72,000	72,000	72,000

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.3	0.1	0.2	0.1	0.1
Account					
Liquor Revolving Account-State 501-1	132,251	12,286	144,537	24,572	24,572
Total \$	132,251	12,286	144,537	24,572	24,572

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: Susan Jones	Phone: 360-786-7404	Date: 01/28/2023
Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 02/02/2023
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 02/02/2023
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/03/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Section 1(3): Adult entertainment as defined in RCW 49.17.470 is not indecent exposure.

Section 2(4): Adult entertainment as defined in RCW 49.17.470 is not sexual conduct.

Section 4 - RCW 49.17.470:

(11)(c): Creates definition of "Adult entertainment nightclub"

(12): The department of labor and industries may share information with the liquor and cannabis board for purposes of this section and section 6 of this act.

Section 6 – NEW SECTION:

(1) There shall be a spirits, beer, and wine adult entertainment nightclub license to sell spirituous liquor by the drink, beer, and wine at retail, for consumption on the licensed premises.

(2) The license may be issued only to an adult entertainment nightclub whose business includes the sale and service of alcohol to the adult entertainment nightclub's customers and has food sales and service incidental to the sale and service of alcohol.

(3) (a) Minors may be allowed on the licensed premises but only in areas where alcohol is not served or consumed.

(b) The board may adopt rules to allow entertainers who are over 18 years of age but under 21 years of age to perform in an adult entertainment nightclub.

(4) The annual fee for this license is \$2,000. The fee for the license shall be reviewed from time to time and set at such a level sufficient to defray the cost of licensing and enforcing this licensing program. The fee shall be fixed by rule adopted by the board in accordance with the provisions of chapter 34.05 RCW.

(5) Local governments may petition the board to request that further restrictions be imposed on a spirits, beer, and wine adult entertainment nightclub license in the interest of public safety. Examples of further restrictions a local government may request are: Not allowing minors on the entire premises, submitting a security plan, or signing a good neighbor agreement with the local government.

(6) The total number of spirits, beer, and wine adult entertainment nightclub licenses are not subject to the requirements of RCW 66.24.420(4) [limit on the combined total number of spirits, beer and wine nightclub licenses in the state]. However, the board may not refuse a spirits, beer, and wine adult entertainment nightclub license to any applicant even if the board determines that the spirits, beer, and wine nightclub licenses already granted for the particular locality are adequate for the reasonable needs of the community.

(7) The board may adopt rules to implement this section.

(8) The department of labor and industries may share information with the board for purposes of this section.

(9) The board may not issue any liquor license to any adult entertainment establishment which is not an adult entertainment nightclub.

(10) For purposes of this section:

(a) "Adult entertainment establishment" or "establishment" have the same meaning as in RCW 49.17.470 (Section 4 of this act).

(b) "Adult entertainment nightclub" has the same meaning as in RCW 49.17.470 (Section 4 of this act).

(c) "Entertainer" has the same meaning as in RCW 49.17.470 (Section 4 of this act).

Section 7 -- NEW SECTION: The Board shall repeal WAC 314-11-050 in its entirety [types of conduct prohibited on a premises with a liquor license]

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

Section 6 creates a new spirits, beer, and wine adult entertainment nightclub license to sell spirituous liquor by the drink, beer, and wine at retail, for consumption on the licensed premises.

The annual fee for this license is \$2,000. The fee for the license shall be reviewed from time to time and set at such a level sufficient to defray the cost of licensing and enforcing this licensing program. The fee shall be fixed by rule adopted by the board in accordance with the provisions of chapter 34.05 RCW.

In November 2020, the Adult Entertainment Advisory Committee produced a report showing that there were approximately 11 adult entertainment establishments in Washington. The majority were located in King and Pierce counties, with the largest percentage located specifically in the City of Seattle. There was one club located in Spokane Valley, and when the Committee first convened in September 2019, there was a club in Kennewick that had since closed by November 2020.

The agency assumes that all 11 clubs would seek to obtain the new adult entertainment nightclub license. Since adding the ability to serve liquor would likely make adult entertainment facilities more profitable, the agency estimates an additional 7 licensees (possibly existing liquor nightclubs or other licensees) would convert to adult entertainment facilities and would obtain the new license, making an estimated total of 18 new licensees.

$$18 \times \$2,000 = \$36,000/\text{yr.}$$

The agency makes no assumptions regarding potential fee increases that may be set by the Board in the future.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

In November 2020, the Adult Entertainment Advisory Committee produced a report showing that there were approximately 11 adult entertainment establishments in Washington. The majority were located in King and Pierce counties, with the largest percentage located specifically in the City of Seattle. There was one club located in Spokane Valley, and when the Committee first convened in September 2019, there was a club in Kennewick that had since closed by November 2020.

The agency assumes that all 11 clubs would seek to obtain the new adult entertainment nightclub license. Since adding the ability to serve liquor would likely make adult entertainment facilities more profitable, the agency estimates an additional 7 licensees (possibly existing liquor nightclubs or other licensees) would convert to adult entertainment facilities and would obtain the new license, making an estimated total of 18 new licensees.

BOARD DIVISION:

The Washington State Liquor and Cannabis Board ("Board") is currently in the middle of a project to upgrade the agency's internal licensing and enforcement systems. The Licensing, Enforcement, Education, and Administrative Data Systems (LEEADS) is expected to go live July 1, 2024. There are change request costs associated with this legislation that will have to be submitted to the vendor. The estimated costs for these change requests is \$90,000 in FY24. Some examples of changes needed follow:

- A new license type with a new privilege code
- Implementation of licensing fee
- Implementation of Local Authority Process (assumed standard process)

LICENSING DIVISION:

The agency will have onetime workload impact from processing the 18 new applications in FY24.

0.1 FTE Licensing Specialist Senior - \$8,436 (\$8,329 salary/benefits, \$107 in associated costs).

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 anticipated ongoing workload impact of this bill will be from licensee support and education, premise checks, and complaint investigations. Please see the attached "5614 SB Adult Entertainment - Enforcement Field Increment Calculator.pdf" for the workload calculations.

0.1 FTE LCB Enforcement Officer 2 - \$12,286/yr (\$10,700 salary/benefits, \$1,586 in associated costs).

INFORMATION TECHNOLOGY DIVISION:

There will be contracted costs and staff workload impacts in FY24 to implement this bill.

iSeries contractor - 40 hrs x \$150/hr = \$6,000

0.1 FTE IT App Development - Senior/Specialist - \$15,529 (\$15,422 salary/benefits, \$107 in associated costs).

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
501-1	Liquor Revolving Account	State	132,251	12,286	144,537	24,572	24,572
Total \$			132,251	12,286	144,537	24,572	24,572

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.3	0.1	0.2	0.1	0.1
A-Salaries and Wages	25,446	7,703	33,149	15,406	15,406
B-Employee Benefits	9,005	2,997	12,002	5,994	5,994
C-Professional Service Contracts	96,000		96,000		
E-Goods and Other Services	650	436	1,086	872	872
G-Travel	1,116	1,116	2,232	2,232	2,232
J-Capital Outlays	34	34	68	68	68
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	132,251	12,286	144,537	24,572	24,572

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 2024	FY 2025	2023-25	2025-27	2027-29
IT App Development - Senior/Specialist	118,716	0.1		0.1		
LCB Enforcement Officer 2	77,028	0.1	0.1	0.1	0.1	0.1
Licensing Specialist Senior	58,704	0.1		0.1		
Total FTEs		0.3	0.1	0.2	0.1	0.1

III. D - Expenditures By Program (optional)

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
Board Division (010)	90,000		90,000		
Licensing Division (050)	8,436		8,436		
Enforcement Division (060)	12,286	12,286	24,572	24,572	24,572
Information Technology Division (070)	21,529		21,529		
Total \$	132,251	12,286	144,537	24,572	24,572

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

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

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 6 – NEW SECTION:

- (1) There shall be a spirits, beer, and wine adult entertainment nightclub license to sell spirituous liquor by the drink, beer, and wine at retail, for consumption on the licensed premises.
- (3)
 - (a) Minors may be allowed on the licensed premises but only in areas where alcohol is not served or consumed.
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- (7) The board may adopt rules to implement this section.

Enforcement Field Increment (FI) Calculator

5614 SB "Adult entertainment"

	Number of events	Time Factor	Staffing Factor	FI Total
Non RVP Member Support and Education	18	7	1	126
Nightclubs Premises checks	36	3	2	216
Complaint Investigations Liquor	6	15	1.3	117

Total FI's	459
Total Field Increments per FTE	4,220
FTE's required	0.11
Round	0.10

<u>Factors</u>	<u>Values</u>
Night Clubs	18
Non RVP Member Support and Education	18
Nightclubs Premises checks	36
Complaint Investigations Liquor	6



Ten-Year Analysis

Bill Number 5614 SB	Title Adult entertainment	Agency 195 Liquor and Cannabis Board
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

No Cash Receipts

 Partially Indeterminate Cash Receipts

 Indeterminate Cash Receipts

Estimated Cash Receipts

Name of Tax or Fee	Acct Code	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	2024-33 TOTAL
spirits, beer, and wine adult entertainment nightclub license	501	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	360,000
Total		36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	360,000
Biennial Totals		72,000		72,000		72,000		72,000		72,000		360,000

Narrative Explanation (Required for Indeterminate Cash Receipts)

Section 6 of this bill creates a new spirits, beer, and wine adult entertainment nightclub license to sell spirituous liquor by the drink, beer, and wine at retail, for consumption on the licensed premises.

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Ten-Year Analysis

Bill Number 5614 SB	Title Adult entertainment	Agency 195 Liquor and Cannabis Board
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Narrative Explanation (Required for Indeterminate Cash Receipts)

The agency makes no assumptions regarding potential fee increases that may be set by the Board in the future.

Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 2/2/2023 11:23:48 am
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 2/2/2023 11:23:48 am
OFM Review:	Phone:	Date: