

Individual State Agency Fiscal Note

Bill Number: 1731 S HB	Title: Short-term rentals/liquor	Agency: 195-Liquor and Cannabis Board
-------------------------------	---	--

Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
Statewide Tourism Marketing Account-State 22T-1	22,500	22,500	45,000	45,000	45,000
Total \$	22,500	22,500	45,000	45,000	45,000

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.4	0.1	0.3	0.1	0.1
Account					
Liquor Revolving Account-State 501-1	217,032	7,647	224,679	15,294	15,294
Total \$	217,032	7,647	224,679	15,294	15,294

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:	Phone:	Date: 02/14/2023
Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 02/16/2023
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 02/16/2023
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/16/2023

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(18)

- Creates a new annual special permit to allow a short-term rental operator to provide a complimentary bottle of wine to rental guests who are age 21 and over.
- Permit fee is \$75/year and applies to all properties owned or operated by the short-term rental operator and identified in the permit application.
- The bottle of wine may be consumed on or off the premises of the rental property.
- The definition of “short-term rental,” “operator”, and “guest” have the same meanings as in RCW 64.37.010.
 - "Short-term rental" means a lodging use, that is not a hotel or motel or bed and breakfast, in which a dwelling unit, or portion thereof, that is offered or provided to a guest by a short-term rental operator for a fee for fewer than thirty consecutive nights.
 - "Short-term rental" does not include any of the following:
 - (i) A dwelling unit that is occupied by the owner for at least six months during the calendar year and in which fewer than three rooms are rented at any time;
 - (ii) A dwelling unit, or portion thereof, that is used by the same person for thirty or more consecutive nights; or
 - (iii) A dwelling unit, or portion thereof, that is operated by an organization or government entity that is registered as a charitable organization with the secretary of state, state of Washington, or is classified by the federal internal revenue service as a public charity or a private foundation, and provides temporary housing to individuals who are being treated for trauma, injury, or disease, or their family members.
 - "Operator" or "short-term rental operator" means any person who receives payment for owning or operating a dwelling unit, or portion thereof, as a short-term rental unit.
 - "Guest" means any person or persons renting a short-term rental unit.

Section 1(18): Moneys received by the board from annual special permits issued under this subsection must be deposited in the statewide tourism marketing account in RCW 43.384.040.

CHANGES MADE BY THE SUBSTITUTE:

Section 1(18) language was modified to state that the moneys received from the new permit must be deposited into the state tourism marketing account.

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.

This bill creates a new annual special permit to allow a short-term rental operator to provide a complimentary bottle of wine to rental guests who are age 21 and over. The permit fee is \$75/year and applies to all properties owned or operated by the short-term rental operator and identified in the permit application. Moneys received by the Washington State Liquor and Cannabis Board ("Board") from the annual special permits issued under this subsection must be deposited in the statewide tourism marketing account in RCW 43.384.040.

Through research with other state agencies, the Board estimates that there are 30,000 short-term rental properties throughout the state. The Board estimates that 1% of those businesses would apply for this permit.

$\$75 \times 300 = \$22,500/\text{year}$.

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.

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 \$120,000 in FY24. Some examples of changes needed follow:

- A new permit type for short-term rental operator (new privilege code)
 - This permit would have a \$75 dollar fee
 - This permit would be required to renew annually

These changes will need to be made during the implementation of the SMP project through project change controls.

LICENSING DIVISION

There will be ongoing staff costs to process the estimated 300 permits per year, of 0.1 FTE Customer Service Specialist 3.

0.1 FTE Customer Service Specialist 3 - \$7,647/yr (\$7,370 salary/benefits, \$277 in associated costs).

INFORMATION TECHNOLOGY DIVISION

The expected impact of this bill would be driven by changes to the iSeries, Enforcement Notebook, Replication, and BI/SSRS Reports.

Vendor costs:

- iSeries - \$42,000 (280 hours x \$150/hr)
- Enforcement Notebook - \$800 (8 hours x \$100/hr)

IT Staff costs (iSeries, Replication, and BI/SSRS reports):

0.3 FTE IT App Development - Senior/Specialist - \$46,585/yr (\$46,264 salary/benefits, \$321 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	217,032	7,647	224,679	15,294	15,294
Total \$			217,032	7,647	224,679	15,294	15,294

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.4	0.1	0.3	0.1	0.1
A-Salaries and Wages	40,675	5,060	45,735	10,120	10,120
B-Employee Benefits	12,959	2,310	15,269	4,620	4,620
C-Professional Service Contracts	162,800		162,800		
E-Goods and Other Services	584	263	847	526	526
G-Travel					
J-Capital Outlays	14	14	28	28	28
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	217,032	7,647	224,679	15,294	15,294

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
Customer Service Specialist 3	50,592	0.1	0.1	0.1	0.1	0.1
IT App Development - Senior/Specialist	118,716	0.3		0.2		
Total FTEs		0.4	0.1	0.3	0.1	0.1

III. D - Expenditures By Program (optional)

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
Board Division (010)	120,000		120,000		
Licensing Division (050)	7,647	7,647	15,294	15,294	15,294
Information Technology Division (070)	89,385		89,385		
Total \$	217,032	7,647	224,679	15,294	15,294

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.

New rules would need to be written for the new annual special permit in Section 1(18).



Ten-Year Analysis

Bill Number 1731 S HB	Title Short-term rentals/liquor	Agency 195 Liquor and Cannabis Board
---------------------------------	---	--

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
Short term rental operator liquor permit	22T	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	225,000
Total		22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	225,000
Biennial Totals		45,000		45,000		45,000		45,000		45,000		225,000

Narrative Explanation (Required for Indeterminate Cash Receipts)

This bill creates a new annual special permit to allow a short-term rental operator to provide a complimentary bottle of wine to rental guests who are age 21 and over. The permit fee is \$75/year and applies to all properties owned or operated by the short-term rental operator and identified in the permit application. Moneys received by the Washington State Liquor and Cannabis Board ("Board") from the annual special permits issued under this subsection must be deposited in the statewide tourism marketi account in RCW 43.384.040.

Through research with other state agencies, the Board estimates that there are 30,000 short-term rental properties throughout the state. The Board estimates that 1% of those businesses would apply for this permit.

\$75 x 300 = \$22,500/year.

Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 2/16/2023 9:06:32 am
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 2/16/2023 9:06:32 am
OFM Review:	Phone:	Date: