

Individual State Agency Fiscal Note

Revised

Bill Number: 1375 HB	Title: Delivery of alcohol	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	296,000	385,000	681,000	845,000	945,000
Total \$	296,000	385,000	681,000	845,000	945,000

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	7.1	5.7	6.4	5.6	5.6
Account					
Liquor Revolving Account-State 501-1	969,264	657,259	1,626,523	1,298,306	1,298,306
Total \$	969,264	657,259	1,626,523	1,298,306	1,298,306

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: Peter Clodfelter	Phone: 360-786-7127	Date: 01/19/2023
Agency Preparation: Colin O'Neill	Phone: (360) 664-4552	Date: 02/17/2023
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 02/17/2023
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/21/2023

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(1): strikes the temporary language enacted during COVID.

Section 2(13): adds definition of “delivery” to mean the transportation of alcohol to an individual located within Washington state from a licensed location holding an alcohol delivery endorsement as part of a to go order. “Delivery” does not include services provided by common carriers.

Section 3: creates a new third-party “alcohol delivery license” to deliver spirits, beer, and wine FROM a business licensed by the board with an endorsement for alcohol delivery to a person within the state of Washington. The annual fee for this license is \$2,000.

Section 4: adds an employee conducting alcohol deliveries for a alcohol delivery license holder, as a person to whom a class 12 alcohol server permit is required.

Section 6: creates a new alcohol delivery endorsement to the following licenses:

- spirits, beer, and wine restaurant license;
- tavern license;
- domestic winery license;
- domestic brewery license;
- microbrewery license;
- distillery license; and
- craft distillery license.

Delivery services conducted by beer and wine restaurant licensees and spirits, beer, and wine restaurant licensees must be accompanied by a purchased meal prepared and sold by the license holder. Delivery may be performed by employees of an alcohol delivery endorsement holder or alcohol delivery license under section 3 of this act if the employees are:

- a) at least 21 yrs of age or older
- b) possess a class 12 permit.
- c) The cost of an alcohol delivery endorsement is \$50. Note: the agency assumes this is an annual endorsement.

Section 8: This act is exempt from the provisions of RCW 82.32.808 [tax preference performance statement required] and 82.32.805 [tax preference expiration dates]

Section 9: Strikes reference to 66.04.010(25) to presumably expand self-checkout register sales of liquor to the entirety of 66.04.010.

Section 10: This bill takes effect immediately.

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 3: creates a new third-party “alcohol delivery license” to deliver spirits, beer, and wine FROM a business licensed by the board with an endorsement for alcohol delivery to a person within the state of Washington. The annual fee for this license is \$2,000. The agency assumes that there would be at least 130 new applications for this license (75% or 98 in the first year, 25% or 32 in the second year).

FY24: 98 new applications x \$2,000 = \$196,000
FY25: 32 new applications + 98 renewals = 130 x \$2,000 = \$260,000
FY26+: 130 renewals x \$2,000 = \$260,000

Section 6: creates a new "alcohol delivery endorsement" to the following licenses:

- spirits, beer, and wine restaurant license;
- tavern license;
- domestic winery license;
- domestic brewery license;
- microbrewery license;
- distillery license; and
- craft distillery license.

The cost of an alcohol delivery endorsement is \$50. Note: the agency assumes this is an annual endorsement. The agency has over 11,000 licenses that could qualify for the endorsement. The agency assumes that 2,000 licenses would apply for the endorsement in the first year, and 500 additional each year thereafter.

FY24: 2,000 applications x \$50 = \$100,000
FY25: 2,000 renewals + 500 applications = 2,500 x \$50 = \$125,000
FY26: 2,500 renewals + 500 applications = 3,000 x \$50 = \$150,000
FY27: 3,000 renewals + 500 applications = 3,500 x \$50 = \$175,000
FY28: 3,500 renewals + 500 applications = 4,000 x \$50 = \$200,000
FY29: 4,000 renewals + 500 applications = 4,500 x \$50 = \$225,000

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:

Section 3 creates a new third-party "alcohol delivery license." The agency assumes that there would be at least 130 new applications for this license (75% or 98 in the first year, 25% or 32 in the second year).

Section 6 creates a new "alcohol delivery endorsement." The agency has over 11,000 licenses that could qualify for the endorsement. The agency assumes that 2,000 licenses would apply for the endorsement in the first year, and 500 additional each year thereafter.

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 \$45,000 in FY24.

LICENSING DIVISION:

With the large volume of applications for the new license and endorsement, the agency anticipates a workload impact to

process these.

FY24:

0.7 FTE Licensing Specialist - \$62,853 (\$54,809 salary/benefits, \$1,939 in associated costs, \$6,105 for equipment purchases).

1.0 FTE Customer Service Specialist 3 - \$82,562 (\$73,687 salary/benefits, \$2,770 in associated costs, \$6,105 for equipment purchases).

FY25+:

0.2 FTE Licensing Specialist - \$16,214/yr (\$15,660 salary/benefits, \$554 in associated costs).

0.3 FTE Customer Service Specialist 3 - \$22,938/yr (\$22,107 salary/benefits, \$831 in associated costs).

In addition, the agency anticipates needing 0.5 FTE Program Specialist 2 (ongoing) to:

- Assist the Program Manager to create training and educate MAST Providers on new regulations
- Assist the Program Manager with MAST Provider training curriculum reviews and approvals
- Answer questions, as the agency expects an increase in questions from MAST Permit Holders and Providers

0.5 FTE Program Specialist 2 - \$40,534/yr (\$39,149 salary/benefits, \$1,385 in associated costs). Onetime costs in FY24 of \$6,105 for equipment purchases.

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 agency anticipates workload impacts from compliance checks, education, and complaint investigations. Please see the attached "1375 HB Delivery Of Alcohol - Enforcement Field Increment Calculator.pdf" for the workload calculations.

4.3 FTE LCB Enforcement Officer 2 - \$528,252/yr (\$460,054 salary/benefits, \$68,198 in associated costs). Onetime costs in FY24 of \$105,580 for equipment purchases.

0.4 FTE Administrative Intern 1 (minors performing compliance checks) - \$14,761/yr in salary/benefits.

The agency anticipates performing 48 compliance check events per year. Each event is expected to cost \$720 in lodging, food, and liquor purchases. $\$720 \times 48 \text{ events per year} = \$34,560/\text{yr}$.

INFORMATION TECHNOLOGY DIVISION:

The agency will have one-time impacts to implement this legislation.

Vendor costs to modify the agency's internal licensing system (iSeries): $\$150/\text{hr} \times 120 \text{ hours} = \$18,000$ in FY24

Agency staff time to modify the iSeries and internal reports: 400 hours in FY24.

0.2 FTE IT App Development - Senior/Specialist - \$31,057/yr (\$30,843 salary/benefits, \$214 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	969,264	657,259	1,626,523	1,298,306	1,298,306
Total \$			969,264	657,259	1,626,523	1,298,306	1,298,306

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	7.1	5.7	6.4	5.6	5.6
A-Salaries and Wages	484,518	398,114	882,632	785,330	785,330
B-Employee Benefits	188,785	153,617	342,402	302,474	302,474
C-Professional Service Contracts	63,000		63,000		
E-Goods and Other Services	111,283	55,938	167,221	111,350	111,350
G-Travel	63,988	47,988	111,976	95,976	95,976
J-Capital Outlays	57,690	1,602	59,292	3,176	3,176
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	969,264	657,259	1,626,523	1,298,306	1,298,306

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
Administrative Intern 1	33,924	0.4	0.4	0.4	0.4	0.4
Customer Service Specialist 3	50,592	1.0	0.3	0.7	0.3	0.3
IT App Development - Senior/Specialist	118,716	0.2		0.1		
LCB Enforcement Officer 2	77,028	4.3	4.3	4.3	4.3	4.3
Licensing Specialist	54,492	0.7	0.2	0.5	0.1	0.1
Program Specialist 2	54,492	0.5	0.5	0.5	0.5	0.5
Total FTEs		7.1	5.7	6.4	5.6	5.6

III. D - Expenditures By Program (optional)

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
Board Division (010)	45,000		45,000		
Licensing Division (050)	192,054	79,686	271,740	143,160	143,160
Enforcement Division (060)	683,153	577,573	1,260,726	1,155,146	1,155,146
Information Technology Division (070)	49,057		49,057		
Total \$	969,264	657,259	1,626,523	1,298,306	1,298,306

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 to implement the new alcohol delivery license and alcohol delivery endorsement.

Enforcement Field Increment (FI) Calculator				
1375 HB "Delivery of alcohol"				
	Number of events	Time Factor	Staffing Factor	FI Total
Delivery Compliance checks	48	40	8	15,360
License Support and Education	54	7	1	378
Complaint Investigations Liquor	12	15	1.3	234
Non RVP Member Support and Education	187	7	1.5	1,964

<u>Factors</u>	<u>Values</u>
Liquor retail licensees	18,708
Delivery Compliance checks	48
License Support and Education	54
Complaint Investigations Liquor	12
Non RVP Member Support and Education	1%
Delivery Compliance Event cost	\$720/event
Deliver Compliance Event cost/yr	\$34,560
# of compliance events per year	48
Investigative aide hours/yr	768
Investigative aide FTE's (hrs/2088/yr)	0.4

Total FI's	17,936
Total Field Increments per FTE	4,220
FTE's required	4.25
Round	4.30

Note: normally compliance checks costs are calculated as per check. Delivery compliance checks involve a whole day of work to do so the checks are calculated not as per check but as an event. The 12 checks shown are all day events and not just 48 compliance checks. The cost of \$720 per Compliance Check Event is for lodging, food and liquor purchases.