

Individual State Agency Fiscal Note

Bill Number: 1375 S 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
General Fund-State 001-1	20,060	5,075	25,135	10,195	10,255
Liquor Revolving Account-State 501-1	100,000	125,000	225,000	325,000	425,000
Total \$	120,060	130,075	250,135	335,195	435,255

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	6.3	5.5	5.9	5.5	5.5
Account					
Liquor Revolving Account-State 501-1	884,883	641,045	1,525,928	1,282,090	1,282,090
Total \$	884,883	641,045	1,525,928	1,282,090	1,282,090

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: 02/15/2023
Agency Preparation: Colin O'Neill	Phone: (360) 664-4552	Date: 02/21/2023
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 02/21/2023
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/22/2023

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 and removes the curbside sales of alcohol privilege for restaurants, taverns, wineries, breweries, and all licensees that currently have temporary curbside sales privileges pursuant to HB 1480 (2021).

Section 1(2): Removes the privilege for spirits, beer, and wine restaurant licensees to sell cocktail kits with mini-bottles of spirits and removes the related exemption from spirits taxes (See reference to Old Section 7 below).

Section 1(10) Requires licensees delivering alcohol pursuant to the privileges in HB 1480 (2021) and this proposed substitute bill to maintain a compliance rate of at least 95 percent per year in ensuring that deliveries of alcohol are made only to a person who is 21 years of age or older who signs for the delivery. Authorizes the Liquor and Cannabis Board (LCB) to adopt rules establishing procedures to revoke delivery privileges of a licensee not in compliance.

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: 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.

(2f): Requires deliveries by licensees conducting deliveries pursuant to privileges provided in HB 1480 (2021) and this proposed substitute bill to be conducted by an employee of the licensee selling the alcohol who has a class 12 alcohol server permit, is age 21 or over, and has completed an approved class 12 permit course that includes a curriculum component that covers best practices for delivery of alcohol.

(2f): Imposes a \$5 fee on employees of licensees who conduct deliveries pursuant to the privileges of HB 1480 (2021) and this proposed substitute bill at the time of issuance and replacement of a class 12 permit. Specifies this fee is in addition to the general cost of the alcohol server permit.

Section 5: 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 6 (NEW) (5) The additional \$5 fee in Section 3(2f) is to be transferred to the general fund for use by the Health Care Authority or the Department of Health for substance abuse prevention, education, and treatment services.

Section 7: Strikes reference to 66.04.010(25) to presumably expand self-checkout register sales of liquor to the entirety of 66.04.010.

Section 8: Section 1 of this act is codified as a new section in RCW 66.24.

Section 9: This bill takes effect immediately.

CHANGES MADE BY THE SUBSTITUTE:

- Section 1(1): Removes the curbside sales of alcohol privilege for restaurants, taverns, wineries, breweries, and all licensees that currently have temporary curbside sales privileges pursuant to HB 1480 (2021).
- Section 1(2): Removes the privilege for spirits, beer, and wine restaurant licensees to sell cocktail kits with mini-bottles of spirits and removes the related exemption from spirits taxes (See reference to Old Section 7 below).
- Section 1(10) Requires licensees delivering alcohol pursuant to the privileges in HB 1480 (2021) and this proposed substitute bill to maintain a compliance rate of at least 95 percent per year in ensuring that deliveries of alcohol are made only to a person who is 21 years of age or older who signs for the delivery. Authorizes the Liquor and Cannabis Board (LCB) to adopt rules establishing procedures to revoke delivery privileges of a licensee not in compliance.
- OLD SECTION 3 DELETED: Eliminates the proposed creation of a third-party alcohol delivery license (\$2,000 annual fee) to deliver alcoholic beverages from a business licensed by the LCB with a delivery endorsement to a person within Washington.
- SECTION 3 (old Section 4):
 - (2f): Requires deliveries by licensees conducting deliveries pursuant to privileges provided in HB 1480 (2021) and this proposed substitute bill to be conducted by an employee of the licensee selling the alcohol who has a class 12 alcohol server permit, is age 21 or over, and has completed an approved class 12 permit course that includes a curriculum component that covers best practices for delivery of alcohol.
 - (2f): Imposes a \$5 fee on employees of licensees who conduct deliveries pursuant to the privileges of HB 1480 (2021) and this proposed substitute bill at the time of issuance and replacement of a class 12 permit. Specifies this fee is in addition to the general cost of the alcohol server permit.
- Old Section 5 renumbered as Section 4 (server training)
- Old Section 6 renumbered as Section 5 (alcohol delivery endorsement)
- Section 6 (NEW) (5) This additional \$5 fee is to be transferred to the general fund for use by the Health Care Authority or the Department of Health for substance abuse prevention, education, and treatment services.
- Old Section 7 Deleted (removes the exemption for mini-bottles from spirits taxes – see Section 1(2) above).
- Old Section 8 Deleted. (removes reference to this act being exempt from the provisions of RCW 82.32.808 and 82.32.805)
- Old Section 9 renumbered as Section 7 (self-checkout)
- Section 8 (NEW): Section 1 of this act is codified as a new section in RCW 66.24.
- Old Section 10 renumbered as Section 9 (emergency clause).

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(2f):

- Requires deliveries by licensees conducting deliveries pursuant to privileges provided in HB 1480 (2021) and this proposed substitute bill to be conducted by an employee of the licensee selling the alcohol who has a class 12 alcohol server permit, is age 21 or over, and has completed an approved class 12 permit course that includes a curriculum component that covers

best practices for delivery of alcohol.

- Imposes a \$5 fee on employees of licensees who conduct deliveries pursuant to the privileges of HB 1480 (2021) and this proposed substitute bill at the time of issuance and replacement of a class 12 permit. Specifies this fee is in addition to the general cost of the alcohol server permit. This fee is not subject to annual renewal.

Section 6(5) specifies that this additional \$5 fee is to be transferred to the general fund for use by the Health Care Authority or the Department of Health for substance abuse prevention, education, and treatment services.

There are currently 208,631 total active MAST permit holders, of which 186,179 are class 12 permits. The agency processes and issues an average of 540 replacement permits each year. Each of the 23 currently certified MAST providers also have the capability to issue replacement permits. The agency does not currently have the ability to determine how many replacements the MAST providers process each year. Based on the available data, the agency assumes a 0.3% replacement rate (540/208,631) each year.

Assuming 2 delivery drivers per endorsement listed below, the agency determines there could be:

FY24: 4,000 new permits x \$5 = \$20,000 + 12 replacement permits (12x\$5=\$60) = \$20,060

FY25: 1,000 new permits x \$5 = \$5,000 + 15 replacement permits (15x\$5=\$75) = \$5,075

FY26: 1,000 new permits x \$5 = \$5,000 + 18 replacement permits (18x\$5=\$90) = \$5,090

FY27: 1,000 new permits x \$5 = \$5,000 + 21 replacement permits (21x\$5=\$105) = \$5,105

FY28: 1,000 new permits x \$5 = \$5,000 + 24 replacement permits (24x\$5=\$120) = \$5,120

FY29: 1,000 new permits x \$5 = \$5,000 + 27 replacement permits (27x\$5=\$135) = \$5,135

Section 5: 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. 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(2f) requires deliveries by licensees conducting deliveries pursuant to privileges provided in HB 1480 (2021) and this proposed substitute bill to be conducted by an employee of the licensee selling the alcohol who has a class 12

alcohol server permit, is age 21 or over, and has completed an approved class 12 permit course that includes a curriculum component that covers best practices for delivery of alcohol.

Section 5 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.

Assuming 2 delivery drivers per endorsement, the agency determines there could be:

FY24: 4,000 new permits + 12 replacement permits
FY25: 1,000 new permits + 15 replacement permits
FY26: 1,000 new permits + 18 replacement permits
FY27: 1,000 new permits + 21 replacement permits
FY28: 1,000 new permits + 24 replacement permits
FY29: 1,000 new permits + 27 replacement permits

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 endorsement, the agency anticipates a workload impact to process these.

FY24:
1.0 FTE Customer Service Specialist 3 - \$82,562 (\$73,687 salary/benefits, \$2,770 in associated costs, \$6,105 for equipment purchases).

FY25+:
0.3 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 SHB 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 x 48 events per year = \$34,560/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/hr x 80 hours = \$12,000 in FY24

Agency staff time to modify the iSeries and internal reports: 300 hours in FY24.

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	884,883	641,045	1,525,928	1,282,090	1,282,090
Total \$			884,883	641,045	1,525,928	1,282,090	1,282,090

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	6.3	5.5	5.9	5.5	5.5
A-Salaries and Wages	434,501	387,215	821,716	774,430	774,430
B-Employee Benefits	168,572	148,856	317,428	297,712	297,712
C-Professional Service Contracts	57,000		57,000		
E-Goods and Other Services	109,230	55,412	164,642	110,824	110,824
G-Travel	63,988	47,988	111,976	95,976	95,976
J-Capital Outlays	51,592	1,574	53,166	3,148	3,148
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	884,883	641,045	1,525,928	1,282,090	1,282,090

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	0.1		0.1		
LCB Enforcement Officer 2	77,028	4.3	4.3	4.3	4.3	4.3
Program Specialist 2	54,492	0.5	0.5	0.5	0.5	0.5
Total FTEs		6.3	5.5	5.9	5.5	5.5

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)	129,201	63,472	192,673	126,944	126,944
Enforcement Division (060)	683,153	577,573	1,260,726	1,155,146	1,155,146
Information Technology Division (070)	27,529		27,529		
Total \$	884,883	641,045	1,525,928	1,282,090	1,282,090

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 endorsement.

Enforcement Field Increment (FI) Calculator				
1375 SHB "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.