

Multiple Agency Fiscal Note Summary

Bill Number: 2363 HB	Title: Alcohol/pop-up retail sales
-----------------------------	---

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	39,300	0	0	86,100	0	0	96,100
Total \$	0	0	39,300	0	0	86,100	0	0	96,100

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
Liquor and Cannabis Board	11.1	0	0	3,511,258	21.0	0	0	4,229,774	21.0	0	0	4,229,774
Total \$	11.1	0	0	3,511,258	21.0	0	0	4,229,774	21.0	0	0	4,229,774

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
Liquor and Cannabis Board	.0	0	0	.0	0	0	.0	0	0
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

--

Prepared by: Val Terre, OFM	Phone: (360) 280-3973	Date Published: Preliminary 1/21/2024
------------------------------------	---------------------------------	---

Individual State Agency Fiscal Note

Bill Number: 2363 HB	Title: Alcohol/pop-up retail sales	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
Liquor Revolving Account-State 501-1		39,300	39,300	86,100	96,100
Total \$		39,300	39,300	86,100	96,100

Estimated Operating Expenditures from:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	22.1	11.1	21.0	21.0
Account					
Liquor Revolving Account-State 501-1	0	3,511,258	3,511,258	4,229,774	4,229,774
Total \$	0	3,511,258	3,511,258	4,229,774	4,229,774

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: 01/15/2024
Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 01/18/2024
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 01/18/2024
OFM Review: Val Terre	Phone: (360) 280-3973	Date: 01/21/2024

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) There is a license endorsement at an annual cost of \$50 available to:

(a) Domestic breweries and microbreweries, to authorize off-site and pop-up retail sales, service, and consumption of beer for on-premises and off-premises consumption.

(b) Domestic wineries to authorize off-site and pop-up retail sales, service, and consumption of wine for on-premises and off-premises consumption.

(2) A domestic brewery, microbrewery, or domestic winery with a license endorsement under RCW 66.24.246 may engage in the privilege authorized under the separate endorsement in RCW 66.24.246 (on-premises endorsement) from an off-site or pop-up location authorized under this section.

(3) A domestic brewery, microbrewery, or domestic winery with an endorsement under this section:

(a) Must notify the board at least 14 days before operating at any off-site or pop-up location and may not operate at more than one off-site or pop-up location at a single time;

(b) Must operate an off-site or pop-up location only:

(i) Outdoors in an area zoned for a use compatible with the operation of a food truck; or

(ii) Indoors within a building;

(c) Must ensure an enclosed boundary is established with ropes, a fence, or by other physical barrier around the designated area in which off-site or pop-up retail sales, service, and consumption is offered and that the sale, service, and consumption of beer and wine authorized in this section is confined to the designated area only;

(d) May sell beer or wine to adults age 21 or over for on-premises consumption, in the designated area. A customer may remove any portion of bottled wine sold by a domestic winery for on-premises consumption in the designated area that is recorked or recapped in its original container;

(e) May sell beer or wine from the designated area to adults age 21 or over for off-premises consumption

(f) Must ensure any person selling or serving beer or wine for on-premises consumption holds a class 12 or class 13 alcohol server permit.

(4)(a) An endorsement issued under this section does not count toward any additional retail locations or off-site tasting rooms authorized under RCW 66.24.240, 66.24.244, or 66.24.170.

(b) Nothing in this section requires food service in conjunction with alcohol sales or service.

(5)(a) An endorsement holder shall give due consideration to the location where the licensee will conduct off-site and pop-up retail sales, service, and consumption, with respect to the proximity of churches and public institutions, as those terms are used and defined in RCW 66.24.010, and schools as used in RCW 66.24.010.

(b) Upon receiving notice as provided in subsection (3)(a) of this section of an endorsement holder's plans to operate off-site or pop-up service, sales, and consumption, the board must proceed with the local authority notification process outlined within this subsection.

(6) For purposes of this section, "off-site and pop-up retail sales, service, and consumption" means the retail sale, service, and consumption of beer or wine at a location off of the licensed production facility for which the domestic brewery, microbrewery, or domestic winery has permission or legal authority to possess and use for the sale, service, and consumption of beer or wine.

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 1(1) creates a new license endorsement at an annual cost of \$50 available to:

(a) Domestic breweries and microbreweries, to authorize off-site and pop-up retail sales, service, and consumption of beer for on-premises and off-premises consumption.

(b) Domestic wineries to authorize off-site and pop-up retail sales, service, and consumption of wine for on-premises and off-premises consumption.

There are 1,571 brewery and winery licenses in Washington. The agency estimates 50% of eligible licenses (786) will apply for the endorsement in the first year and 50 each year after.

FY25: 786 applications x \$50 = \$39,300

FY26: 786 renewals + 50 applications = 836 x \$50 = \$41,800

FY27: 836 renewals + 50 applications = 886 x \$50 = \$44,300

FY28: 886 renewals + 50 applications = 936 x \$50 = \$46,800

FY29: 936 renewals + 50 applications = 986 x \$50 = \$49,300

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.

PROJECT COSTS (AS 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 in FY 2025. 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 \$116,400 in FY25. Some examples of changes needed follow:

Vendor Cost to Implement: \$94,500

- One Privilege type (Master Table addition)
- \$50 fee
- License dependency – (Domestic breweries and microbreweries, Domestic Wineries)
- LCB Portal Application – Pop-up event notification
- 1 Omniscrypt Application form
- Address validation (Event Location)
- Local Authority notification process (modified – 14 days)

LCB/Internal hours to implement: 146*\$150.00 = \$21,900, assumed contractor hours

- Technical Training (preparing and delivering): 20 hours
- User Acceptance Testing (to include collaborative with DOR/BLS): 20 hours
- Analysis, requirements and test review: 16 hours
- Development for analytical reporting: 35 hours
- Development for replication: 35 hours
- Documentation and review (System Admin Guide, Data Dictionary, Component Tracker, Operations Plan, Report Specifications, Business Data Glossary, DSA updates, 3 Interface updates, etc.): 20 hours

LICENSING DIVISION:

New Endorsement

- There are 1,571 brewery and winery licenses in Washington. Licensing estimates 50% of eligible licenses (786) will apply for the endorsement in the first year and 50 each year after that. Licensing estimates needing 0.3 FTE Customer Service Specialist (CSS3) in the first year, and minimal ongoing.

Notification of Each Event

- Licensing expects a strong interest from breweries and wineries to sell their products at holiday markets, food truck venues, and other local events. If 786 licenses apply for the endorsement, Licensing anticipates each endorsement holder may have 2 events a month (24 a year), totaling 18,864 events a year. Licensing would assume that licensees may hold multiple events at the same location, however Licensing would notify the local authorities for each event to ensure the local authority has the opportunity to report any concerns (ex. public safety issues at a prior event). Each event requires a local authority notification, review of location (nearby school or church), site plan review, legal permission to operate at the location, etc.

- Provided this, Licensing estimates needing 13.0 FTE Licensing Specialists (ongoing).

- In addition, Licensing needs two Licensing Specialist Supervisors (ongoing) to oversee the Licensing Specialists.

Renewal Process

- At time of renewal, Licensing would need to review licensees that are holding events despite objections from a church, school or local authority. Licensing estimates 10% of endorsement holders would be reviewed at renewal (approximately 79 endorsement holders).

Non-renewal requests are reviewed and prepared by a Program Specialist 4. Non-renewal requests require additional research, and outreach to local authorities, churches, or schools to gather supporting documents for the objections. This position prepares exhibits and letters of intent, as well as tracks the adjudications and discovery process. To support this work, Licensing estimates needing 1.0 Program Specialist 4 (ongoing).

FY25 costs - \$1,544,622:

0.3 FTE Customer Service Specialist 3 - \$23,767 (\$23,446 salary/benefits, \$321 in associated costs).

13.0 FTE Licensing Specialist - \$1,115,569 (\$1,079,559 salary/benefits, \$36,010 in associated costs). Onetime costs of \$79,365 for equipment purchases.

2.0 FTE Licensing Specialist Supervisor - \$193,510 (\$187,970 salary/benefits, \$5,540 in associated costs). Onetime costs of \$12,210 for equipment purchases.

1.0 FTE Program Specialist 4 - \$114,096 (\$111,326 salary/benefits, \$2,770 in associated costs). Onetime costs of \$6,105 for equipment purchases.

FY26+ - \$1,423,175:

13.0 FTE Licensing Specialist - \$1,115,569/yr (\$1,079,559 salary/benefits, \$36,010 in associated costs).

2.0 FTE Licensing Specialist Supervisor - \$193,510/yr (\$187,970 salary/benefits, \$5,540 in associated costs).

1.0 FTE Program Specialist 4 - \$114,096/yr (\$111,326 salary/benefits, \$2,770 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 Enforcement Division anticipates the workload impact from 18,864 events per year (refer to Licensing estimate above), with premises checks, licensee support and education, complaints, and on-premise compliance checks to be 4.0 LCB Enforcement Officer 2 (LEO2) per year ongoing, with need for 1 LCB Enforcement Officer 4 (LEO4) to supervise. Please see the attached "2363 HB Pop-up retail sales - Enforcement Field Increment Calculator.pdf" for the workload calculations.

4.0 FTE LCB Enforcement Officer 2 - \$536,780/yr (\$473,340 salary/benefits, \$63,440 in associated costs). Onetime costs in FY25 of \$105,580 for equipment purchases.

1.0 FTE LCB Enforcement Officer 4 - \$154,932/yr (\$138,712 salary/benefits, \$16,220 in associated costs). Onetime costs in FY25 of \$23,425 for equipment purchases.

INFORMATION TECHNOLOGY DIVISION:

Vendor costs:

-iSeries - \$15,000 (160 hours x \$150/hr)

BI/SSRS - \$6,000

Other - \$75,000

- Webform-based application design
- Buildout of web form
- Integration with ArcGIS
- Integration with Local Authority process
- Integration with SAW

IT Staff costs (iSeries, Replication, and SharePoint):

0.8 FTE IT App Development - Senior/Specialist - \$131,794/yr (\$130,938 salary/benefits, \$856 in associated costs). Onetime costs in FY25 of \$1,725 for equipment purchases.

OCIO QA oversight - \$800,000 (5,000 hours x \$160/hr)

- IT Investments – Approval and Oversight. The Office of the Chief Information Officer (OCIO) defines a major technology investment as one having a total cost that includes a combined level of effort of more than \$500,000 OR has a duration longer than 4-months. If the agency fiscal note analysis anticipates one or both of these criteria being met, the agency is required under OCIO Policy #121 to submit an online self-assessment via OCIO's Information Technology Assessment Tool (ITPA) speaking to effort size, risk and expected impact on citizens and state operations. If the agency assumes that OCIO's formal decision is to place the project/effort under formal OCIO oversight, the agency would be required under OCIO Policy #132 to have external Quality Assurance (QA) services present at all stages of the project, from feasibility through implementation. The agency currently estimates that cost at \$160/hr over the estimated lifetime of the project/effort.

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	0	3,511,258	3,511,258	4,229,774	4,229,774
Total \$			0	3,511,258	3,511,258	4,229,774	4,229,774

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		22.1	11.1	21.0	21.0
A-Salaries and Wages		1,544,743	1,544,743	2,853,480	2,853,480
B-Employee Benefits		600,548	600,548	1,128,334	1,128,334
C-Professional Service Contracts		1,012,400	1,012,400		
E-Goods and Other Services		123,977	123,977	128,480	128,480
G-Travel		75,800	75,800	111,600	111,600
J-Capital Outlays		153,790	153,790	7,880	7,880
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	0	3,511,258	3,511,258	4,229,774	4,229,774

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	54,204		0.3	0.2		
IT App Development - Senior/Specialist	127,176		0.8	0.4		
LCB Enforcement Officer 2	86,712		4.0	2.0	4.0	4.0
LCB Enforcement Officer 4	103,008		1.0	0.5	1.0	1.0
Licensing Specialist	58,380		13.0	6.5	13.0	13.0
Licensing Specialist Supervisor	67,716		2.0	1.0	2.0	2.0
Program Specialist 4	82,512		1.0	0.5	1.0	1.0
Total FTEs			22.1	11.1	21.0	21.0

III. D - Expenditures By Program (optional)

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
Board Division (010)		116,400	116,400		
Licensing Division (050)		1,544,622	1,544,622	2,846,350	2,846,350
Enforcement Division (060)		820,717	820,717	1,383,424	1,383,424
Information Technology Division (070)		1,029,519	1,029,519		
Total \$		3,511,258	3,511,258	4,229,774	4,229,774

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.

Rules would need to be written for the new pop-up locations.

Enforcement Field Increment (FI) Calculator

2363 HB "Pop-up retail sales"

	Number of events	Time Factor	Staffing Factor	FI Total
Premises check	566	2	1.3	1471
License Support and Education	943	7	1	6602
Complaint Investigations Liquor	377	15	1.3	7357
On Premises Compliance Check	189	3	2	1132

<u>Factors</u>	<u>Values</u>
Events per year	18864
Premises check	3%
License Support and Education	5%
Complaint Investigations Liquor	2%
On Premises Compliance Check (% of complaints)	50%

Total FI's	16,563
Total Field Increments per FTE	4,220
FTE's required	3.92
Round	4.00



Ten-Year Analysis

Bill Number 2363 HB	Title Alcohol/pop-up retail sales	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
POPOP RETAIL SALES ENFORCEMENT	501		39,300	41,800	44,300	46,800	49,300	51,800	54,300	56,800	59,300	443,700
Total			39,300	41,800	44,300	46,800	49,300	51,800	54,300	56,800	59,300	443,700
Biennial Totals			39,300	86,100	96,100	106,100	116,100	443,700				

Narrative Explanation (Required for Indeterminate Cash Receipts)

Section 1(1) of the bill creates a new license endorsement at an annual cost of \$50 available to:

- (a) Domestic breweries and microbreweries, to authorize off-site and pop-up retail sales, service, and consumption of beer for on-premises and off-premises consumption
- (b) Domestic wineries to authorize off-site and pop-up retail sales, service, and consumption of wine for on-premises and off-premises consumption.

There are 1,571 brewery and winery licenses in Washington. The agency estimates 50% of eligible licenses (786) will apply for the endorsement in the first year and 50% year after.

FY25: 786 applications x \$50 = \$39,300
 FY26: 786 renewals + 50 applications = 836 x \$50 = \$41,800
 FY27: 836 renewals + 50 applications = 886 x \$50 = \$44,300
 FY28: 886 renewals + 50 applications = 936 x \$50 = \$46,800
 FY29: 936 renewals + 50 applications = 986 x \$50 = \$49,300
 FY30: 986 renewals + 50 applications = 1,036 x \$50 = \$51,800
 FY31: 1,036 renewals + 50 applications = 1,086 x \$50 = \$54,300
 FY32: 1,086 renewals + 50 applications = 1,136 x \$50 = \$56,800
 FY33: 1,136 renewals + 50 applications = 1,186 x \$50 = \$59,300



Ten-Year Analysis

Bill Number 2363 HB	Title Alcohol/pop-up retail sales	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> .

Narrative Explanation (Required for Indeterminate Cash Receipts)

Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 1/18/2024 4:40:56 pm
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 1/18/2024 4:40:56 pm
OFM Review:	Phone:	Date: