

Multiple Agency Fiscal Note Summary

Bill Number: 5568 SB	Title: Liquor revenue/local gov.
-----------------------------	---

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	(56,130,878)	(56,130,878)	(56,130,878)	(89,809,404)	(89,809,404)	(89,809,404)	(89,809,404)	(89,809,404)	(89,809,404)
Total \$	(56,130,878)	(56,130,878)	(56,130,878)	(89,809,404)	(89,809,404)	(89,809,404)	(89,809,404)	(89,809,404)	(89,809,404)

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		52,698,006		84,316,810		84,316,810
Local Gov. Total		52,698,006		84,316,810		84,316,810

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
Department of Revenue	.0	0	0	0	.0	0	0	0	.0	0	0	0
Liquor and Cannabis Board	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total \$	0.0	0	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	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
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	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Breakout

Prepared by: Val Terre, OFM	Phone: (360) 280-3973	Date Published: Final 1/22/2024
------------------------------------	---------------------------------	---

Department of Revenue Fiscal Note

Bill Number: 5568 SB	Title: Liquor revenue/local gov.	Agency: 140-Department of Revenue
-----------------------------	---	--

Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

NONE

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: 01/16/2024
Agency Preparation: Van Huynh	Phone: (360) 534-1512	Date: 01/19/2024
Agency Approval: Marianne McIntosh	Phone: (360) 534-1505	Date: 01/19/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/22/2024

Request # 5568-1-1

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.

CURRENT LAW:

The liquor revolving fund consists of all license fees, permit fees, penalties, forfeitures, and all other money, income, or revenue received by the liquor and cannabis board. The state treasurer is the custodian of this fund.

Excess funds from the liquor revolving fund are distributed to:

- The municipal research and services center.
- Border areas, counties, cities, and towns.
- The State General fund.

Distribution of the fund to border areas, counties, cities, towns, and the municipal research center must be made in a manner so that each category of recipients receive, in aggregate, no less than it received from the liquor revolving fund during comparable periods prior to December 8, 2011.

PROPOSAL:

Under this bill, excess funds from the liquor revolving fund will no longer be distributed as described above.

Instead, 0.3% of the excess funds will be distributed to border areas, and the remaining amount as follows:

- 50% to the State General fund.
- 10% to the counties.
- 40% to the incorporated cities and towns.

EFFECTIVE DATE:

The bill takes effect 90 days after the final adjournment of the session in which it is enacted.

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 legislation results in no revenue impact on taxes administered by the Department of Revenue (department).

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.

The department will not incur any costs with the implementation of this legislation.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

NONE

III. B - Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

III. C - Expenditures By Program (optional)

NONE

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

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5568 SB	Title: Liquor revenue/local gov.	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
General Fund-State 001-1	(11,226,176)	(44,904,702)	(56,130,878)	(89,809,404)	(89,809,404)
Total \$	(11,226,176)	(44,904,702)	(56,130,878)	(89,809,404)	(89,809,404)

Estimated Operating Expenditures from:

NONE

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: 01/16/2024
Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 01/19/2024
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 01/19/2024
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 modifies the formula for distribution of liquor profits to local governments. Instead of being a fixed amount as required by RCW 66.24.065 (to be repealed), local governments would receive the following each quarter from available revenues:

0.3% to Border areas
Of the remaining 97.7%:
 50% to General-Fund State
 10% to Counties
 40% to Cities

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 modifies the formula for distribution of liquor profits to local governments. Instead of being a fixed amount as required by RCW 66.24.065 (to be repealed), local governments would receive the following each quarter from available revenues:

Note: GFS impact is listed in the cash receipts table. All assumptions are based on FY23 actual distributions as that is the last completed fiscal year. No projections have been made to future years. FY24 is shown as one quarter's impact as the June 2024 distribution would be the earliest the change could be made.

FY23 actual distributions: \$188,121,041
 Border: \$148,316
 Cities: \$39,431,748
 Counties: \$9,857,936
 General Fund-State: \$138,683,041

New formula assuming FY23 totals:
 Border: \$564,363
 Cities: \$75,022,671
 Counties: \$18,755,668
 General Fund-State: \$93,778,339

CHANGE assuming FY23 totals (1/4 impact in FY24):
 Border: \$416,047 - \$104,012 in FY24
 Cities: \$35,590,923 - \$8,897,731 in FY24
 Counties: \$8,897,732 - \$2,224,433 in FY24
 General Fund-State: (\$44,904,702) - (\$11,226,176) in FY24

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.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

III. D - Expenditures By Program (optional)

NONE

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.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5568 SB

Title: Liquor revenue/local gov.

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- Cities: increase in revenue from the liquor revolving fund, expenditure increase to replace Municipal Services Research Center services
- Counties: increase in revenue from the liquor revolving fund, expenditure increase to replace Municipal Services Research Center services
- Special Districts:
- Specific jurisdictions only:
- Variance occurs due to:

Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time: services lost from defunding Municipal Services Research Center, cost of such services

Estimated revenue impacts to:

Jurisdiction	FY 2024	FY 2025	2023-25	2025-27	2027-29
City	8,315,168	33,260,673	41,575,841	66,521,346	66,521,346
County	2,224,433	8,897,732	11,122,165	17,795,464	17,795,464
TOTAL \$	10,539,601	42,158,405	52,698,006	84,316,810	84,316,810
GRAND TOTAL \$					221,331,626

Estimated expenditure impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 01/22/2024
Leg. Committee Contact:	Phone:	Date: 01/16/2024
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/22/2024
OFM Review: Val Terre	Phone: (360) 280-3973	Date: 01/22/2024

Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

This bill would modify the formula for distribution of liquor sales revenue to local governments. Instead of being a fixed amount as required by RCW 66.24.065 (to be repealed), local governments would receive the following each quarter from available revenues:

0.3% to Border areas

Of the remaining 97.7%:

50% to General-Fund State

10% to Counties

40% to Cities

Section 1(2) Each fiscal quarter and before 40 percent distribution to incorporated cities and towns under subsection (2) of this section, the treasurer must transfer to the liquor revolving fund ("LRF") created in RCW 66.08.170 sufficient moneys to fund the allotments from any legislative appropriations for city and town research and services as provided under chapter 43.110 RCW.

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

This bill would eliminate the funding provided to the Municipal Research and Services Center of Washington (MRSC) which would cause an indirect increase to local government expenditures.

MRSC is a nonprofit organization dedicated to the success of local governments across Washington State. They serve all cities, counties, and state agencies, as well as hundreds of special purpose districts through contract partnerships. According to MRSC, this bill would decrease their funding by \$5.4 million per biennium. Without this funding, MRSC could not provide their services to local governments. Local governments would have to pay for services elsewhere. It is unknown what services would no longer be available or how much it would cost local governments to pay for them outside of MRSC. Therefore, the expenditure cost increase is indeterminate, but likely substantial.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

This bill would increase liquor profits to local governments by modifying the distribution formula. Instead of being a fixed amount as required by RCW 66.24.065 (to be repealed), local governments would receive the following each quarter from available revenues:

10% to Counties

40% to Cities

According to the Liquor and Cannabis Board, cities received \$39,431,748 and counties received \$9,857,936 for fiscal year 2023 from the liquor revolving fund. This bill would increase revenue for cities and counties. Based on the fiscal year 2023 distributions, under this bill cities would receive an annual increase of \$33,260,673 and counties would receive an annual increase of \$8,897,732. For fiscal year 2024, only 1/4 of the impact change would occur as the June 2024 distribution would be the earliest the change could be made.

SOURCES:

Association of Washington Cities

Department of Revenue fiscal note, SB 5568

Liquor and Cannabis Board fiscal note, s-4159.1 (2024)

