

Individual State Agency Fiscal Note

| | | |
|-----------------------------|------------------------|--|
| Bill Number: 5867 SB | Title: Banquets | Agency: 195-Liquor and Cannabis Board |
|-----------------------------|------------------------|--|

Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

| | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|---|---------|---------|---------|---------|---------|
| FTE Staff Years | 0.0 | 0.6 | 0.3 | 0.6 | 0.6 |
| Account | | | | | |
| Liquor Revolving Account-State 501-1 | 0 | 856,186 | 856,186 | 107,762 | 107,762 |
| Total \$ | 0 | 856,186 | 856,186 | 107,762 | 107,762 |

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: Madeline Ralstin | Phone: 360-786-7356 | Date: 01/13/2024 |
| Agency Preparation: Colin O Neill | Phone: (360) 664-4552 | Date: 01/26/2024 |
| Agency Approval: Aaron Hanson | Phone: 360-664-1701 | Date: 01/26/2024 |
| OFM Review: Val Terre | Phone: (360) 280-3973 | Date: 01/26/2024 |

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 (RCW 66.20.010 – special permits):

(3b): adds “not-for-profit society or charitable organization as authorized under section 2 of this act” to banquet permits

Section 2 (NEW SECTION in RCW 66.28):

(1) There is a special permit to be designated as a banquet permit to be issued to a not-for-profit society or charitable organization, which has annual gross income of less than \$250,000, to provide free of charge, spirits, beer, and wine by the individual serving for on-premises consumption at a specified date and place.

(2) The banquet permit is available for an unlimited number of the organization's business or social events that are held solely for the organization's members and guests. The events may not be open to the general public.

(3) Liquor served at the event may be:

a. Provided by individuals attending the event for their own consumption or with the intent to share, at no cost, with other attendees;

b. Included in the total price for an event when participants receive an equal share by distribution of exchangeable tickets as part of the package;

c. Donated to the organization by any person, industry member, or entity so long as the donor or the organization pays any fees established by RCW 66.24.630(4), taxes imposed on a retail sale under RCW 82.08.150, or other sales taxes that would be paid, if the sale were made to a consumer; or

d. Purchased by the event organizers at an authorized retail source.

(4) The organization may accept cash donations at an event so long as there is no expectation or implied obligation to give a donation in exchange for a beverage containing liquor.

(5) The fee for the banquet permit is \$10 per day.

(6) For events occurring under this section, the board must provide for an online permit to be issued on the day the event occurs.

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 2 (NEW SECTION in RCW 66.28): There is a special permit to be designated as a banquet permit to be issued to a not-for-profit society or charitable organization, which has annual gross income of less than \$250,000, to provide free of charge, spirits, beer, and wine by the individual serving for on-premises consumption at a specified date and place. The banquet permit is available for an unlimited number of the organization's business or social events that are held solely for the organization's members and guests. The events may not be open to the general public.

The fee for the banquet permit is \$10 per day.

The agency anticipates a shift between existing banquet permit applications and the new non-profit banquet permits.

In 2022 the agency issued 32,206 banquet permits, and in 2023 it issued 49,183.

No cash receipt impact.

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 \$796,200 in FY25. Some examples of changes needed follow:

Vendor Cost to Implement: \$650,000.00 +/- 20% = \$780,000.00

- One Permit type (record type, page layout)
- Restricted to NON-licensed Not For Profit organizations
- Two templates – (Email, Permit)
- One fee (\$10 - NO proration)
- LCB Portal Application ONLY
- 1 Omniscrypt Application form
- 2 x Real-time integrations (SOS and IRS)
 - Business Rules (> than \$250K gross income = Not Eligible)
 - Validation (SOS check that EIN / UBI is active and Non-Profit category)

LCB/Internal hours to implement: 108*\$150.00 = \$16,200, assumed contractor hours

- Technical Training (preparing and delivering): 20 hours
- Testing (to include collaborative with DOR/BLS): 12 hours
- Analysis, requirements and test review: 16 hours
- Development for analytical reporting: 20 hours
- Development for replication: 20 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

The estimates are at a high impact/high cost due to the real time integrations being requested, to allow partner agency system validation (IRS and Washington State Secretary of State) and auto issue these permits.

A few assumptions:

- This FN assumes SOS and IRS will allow real time integrations with the Board and have system capability to integrate with the Board.
- The project will not be able to implement this timely based on the scope of the requests. Schedules would need to be assessed with partner agencies, specifically the IRS.

LICENSING DIVISION:

The bill requires this permit to be made available online and to be issued on the day of the event. Given this, the agency estimates needing 0.5 FTE Customer Service Specialist 3 (ongoing) to assist with answering questions from non-profit organizations. The agency anticipates increased calls from non-profits to help them understand the permitting process, online application, as well as increased questions on which type of license or permit they may need to be apply for.

0.5 FTE Customer Service Specialist 3 - \$40,460/yr (\$39,075 salary/benefits, \$1,385 in associated costs). Onetime costs in

FY25 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 workload impact of this bill from complaint investigations and permit checks is anticipated to be 0.10 FTE LCB Enforcement Officer 2 (LEO2) ongoing. Please see the attached "5867 SB Banquets - Enforcement Field Increment Calculator.pdf" for the workload calculations.

0.1 FTE LCB Enforcement Officer 2 - \$13,421/yr (\$11,835 salary/benefits, \$1,586 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 | 0 | 856,186 | 856,186 | 107,762 | 107,762 |
| Total \$ | | | 0 | 856,186 | 856,186 | 107,762 | 107,762 |

III. B - Expenditures by Object Or Purpose

| | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|--------------------------------------|---------|---------|---------|---------|---------|
| FTE Staff Years | | 0.6 | 0.3 | 0.6 | 0.6 |
| A-Salaries and Wages | | 35,774 | 35,774 | 71,548 | 71,548 |
| B-Employee Benefits | | 15,136 | 15,136 | 30,272 | 30,272 |
| C-Professional Service Contracts | | 796,200 | 796,200 | | |
| E-Goods and Other Services | | 1,856 | 1,856 | 3,502 | 3,502 |
| G-Travel | | 1,116 | 1,116 | 2,232 | 2,232 |
| J-Capital Outlays | | 6,104 | 6,104 | 208 | 208 |
| M-Inter Agency/Fund Transfers | | | | | |
| N-Grants, Benefits & Client Services | | | | | |
| P-Debt Service | | | | | |
| S-Interagency Reimbursements | | | | | |
| T-Intra-Agency Reimbursements | | | | | |
| 9- | | | | | |
| Total \$ | 0 | 856,186 | 856,186 | 107,762 | 107,762 |

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 | | 0.5 | 0.3 | 0.5 | 0.5 |
| LCB Enforcement Officer 2 | 86,712 | | 0.1 | 0.1 | 0.1 | 0.1 |
| Total FTEs | | | 0.6 | 0.3 | 0.6 | 0.6 |

III. D - Expenditures By Program (optional)

| Program | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|----------------------------|----------------|----------------|----------------|----------------|----------------|
| Board Division (010) | | 796,200 | 796,200 | | |
| Licensing Division (050) | | 46,565 | 46,565 | 80,920 | 80,920 |
| Enforcement Division (060) | | 13,421 | 13,421 | 26,842 | 26,842 |
| Total \$ | | 856,186 | 856,186 | 107,762 | 107,762 |

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.

Enforcement Field Increment (FI) Calculator

5867 SB "Banquets"

| | Number of events | Time Factor | Staffing Factor | FI Total |
|--|-------------------------|--------------------|------------------------|-----------------|
| Complaint Investigations Non Retail Liquor | 6 | 25 | 1.3 | 195 |
| Banquet Permit Checks | 12 | 4 | 1.3 | 62 |
| | | | | 0 |
| | | | | 0 |
| | | | | 0 |

| <u>Factors</u> | <u>Values</u> |
|---------------------------------|----------------------|
| Complaint Investigations Liquor | 6 |
| Banquet Permit Checks | 12 |

| | |
|---------------------------------------|-------------|
| Total FI's | 257 |
| Total Field Increments per FTE | 4,220 |
| FTE's required | 0.06 |
| Round | 0.10 |



Ten-Year Analysis

| | | |
|-------------------------------|--------------------------|--|
| Bill Number 5867 SB | Title Banquets | 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 | | | | | | | | | | | |
|--------------------|-----------|--|--|--|--|--|--|--|--|--|--|--|
| Total | | | | | | | | | | | | |

Biennial Totals

Narrative Explanation (Required for Indeterminate Cash Receipts)

Section 2 (NEW SECTION in RCW 66.28): There is a special permit to be designated as a banquet permit to be issued to a not-for-profit society or charitable organization which has annual gross income of less than \$250,000, to provide free of charge, spirits, beer, and wine by the individual serving for on-premises consumption at a specific date and place. The banquet permit is available for an unlimited number of the organization's business or social events that are held solely for the organization's members and guests. The events may not be open to the general public.

The fee for the banquet permit is \$10 per day.

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In 2022 the agency issued 32,206 banquet permits, and in 2023 it issued 49,183.

No cash receipt impact anticipated but possible.



Ten-Year Analysis

| | | |
|-------------------------------|--------------------------|--|
| Bill Number 5867 SB | Title Banquets | Agency 195 Liquor and Cannabis Board |
|-------------------------------|--------------------------|--|

| | | |
|-----------------------------------|-----------------------|----------------------------|
| Agency Preparation: Colin O Neill | Phone: (360) 664-4552 | Date: 1/26/2024 9:13:49 am |
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