H-3348.2

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**HOUSE BILL 2438**

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**State of Washington 64th Legislature 2016 Regular Session**

**By** Representatives Nealey, Reykdal, Wylie, Vick, Orcutt, Senn, Wilcox, Kirby, Condotta, Hudgins, Stokesbary, Schmick, Tharinger, Rodne, Magendanz, Zeiger, Walsh, Muri, Rossetti, Springer, Sells, McBride, Kuderer, Bergquist, Hargrove, and Goodman

AN ACT Relating to gradually increasing the local government share of excess liquor revenues until the percentage-based method for distributions is restored; amending RCW 66.08.190, 66.08.190, and 66.08.210; creating a new section; providing effective dates; and providing an expiration date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  (1) The legislature finds that the state of Washington has been sharing liquor revenues with local governments for the past eight decades. The legislature further finds that alcohol consumption is a contributing factor in driving under the influence, certain criminal offenses, underage drinking, and misdemeanor offenses such as violations of open-container laws; therefore, it is imperative that local governments receive an adequate share of liquor revenues to offset the cost these factors have on local communities. The legislature further finds that a preponderance of the law enforcement efforts to address offenses associated with excess alcohol consumption are at the local level.

(2) The legislature further finds that, in 2011, when voters approved Initiative Measure No. 1183 to privatize liquor sales, they did so with the expectation that funding for local public safety efforts related to alcohol would be increased. The legislature further finds that the passage of Engrossed Substitute House Bill No. 2823 in the 2012 second special session had the opposite effect, capping specific liquor revenue distributions to cities and counties and changing what had been a percentage-based distribution formula to a flat annual amount that does not grow with increased liquor sale revenues.

(3) The legislature further finds that in 2012 a bipartisan, eight-member joint task force on junior taxing districts, municipal corporations, and local government finance unanimously recommended to restore "the preinitiative formula for the distribution of excess liquor revenues that allows local governments to benefit from increases in future sales."

(4) Therefore, the legislature intends to honor the will of the voters and the 2012 task force by removing the statutory cap on excess liquor revenues and gradually returning the distributions to cities and counties to the percentage amounts before Initiative Measure No. 1183. The legislature intends to restore the previous funding percentages based on a phased-in approach, over several years. The legislature finds this is the most cost-effective way to increase excess liquor revenues for local governments, while mitigating the impact to the general fund by avoiding a large one-time expenditure, spreading the restoration of the previous distribution method over several years.

**Sec.**  RCW 66.08.190 and 2012 2nd sp.s. c 5 s 8 are each amended to read as follows:

(1) Prior to making distributions described in subsection (2) of this section, amounts must be retained to support allotments under RCW 43.88.110 from any legislative appropriation for municipal research and services. The legislative appropriation for such services must be in the amount specified under RCW 66.24.065.

(2)(a) When excess funds are distributed during the months of June, September, December, and March of each year, all moneys subject to distribution must be disbursed to border areas, counties, cities, and towns as provided in RCW 66.24.065 plus the following additional amounts:

(i) Two and one-half million dollars in fiscal year 2018;

(ii) Five million dollars in fiscal year 2019;

(iii) Seven and one-half million dollars in fiscal year 2020;

(iv) Ten million dollars in fiscal year 2021;

(v) Twelve and one-half million dollars in fiscal year 2022; and

(vi) Fifteen million dollars in fiscal year 2023.

(b) The additional amounts provided in (a)(i) through (vi) of this subsection must be distributed as follows:

(i) Three-tenths of one percent to border areas under RCW 66.08.195; and

(ii) Of the remaining moneys:

(A) Twenty percent must be distributed to counties in the same manner as under RCW 66.08.200; and

(B) Eighty percent must be distributed to incorporated cities and towns in the same manner as under RCW 66.08.210.

(3) The amount remaining after distributions under subsections (1) and (2) of this section must be deposited into the general fund.

**Sec.**  RCW 66.08.190 and 2012 2nd sp.s. c 5 s 8 are each amended to read as follows:

(1) Prior to making ((~~distributions~~)) the distribution to cities described in subsection ((~~(2)~~)) (3) of this section, ((~~amounts~~)) sufficient moneys must be retained to ((~~support~~)) fund the allotments under RCW 43.88.110 from any legislative appropriation for municipal research and services. The legislative appropriation for such services ((~~must be in the amount specified~~)) may not be less than the amount required under RCW 66.24.065.

(2) Prior to making distributions described in subsection (3) of this section, the quarterly portion of the ten million dollar amount specified in RCW 66.24.065 must be disbursed to local jurisdictions.

(3)(a) When excess funds are distributed during the months of June, September, December, and March of each year, all moneys subject to distribution must be disbursed ((~~to border areas, counties, cities, and towns as provided in RCW 66.24.065.~~

~~(3) The amount remaining after distributions under subsections (1) and (2) of this section must be deposited into the general fund~~)) as follows:

(i) Three-tenths of one percent to border areas under this section;

(ii) From the amount remaining after distribution under (a)(i) of this subsection:

(A) Fifty percent to the general fund of the state;

(B) Ten percent to the counties of the state; and

(C) Forty percent to the incorporated cities and towns of the state.

(b) The total annual distributions to local governments under this subsection (3) may not be less than the amount required under RCW 66.24.065, excluding the annual ten million dollar distribution in subsection (2) of this section.

**Sec.**  RCW 66.08.210 and 2012 2nd sp.s. c 5 s 11 are each amended to read as follows:

(1) With respect to the distribution of funds to the incorporated cities and towns ((~~under RCW 66.24.290(1)(c),~~)) the computations for distribution must be made by the state agency responsible for collecting the same as provided in subsection (2) of this section.

(2) The share coming to each eligible city or town must be determined by a division among the eligible cities and towns within the state ratably on the basis of population as last determined by the office of financial management. However, no city or town in which the sale of liquor is forbidden as the result of an election is entitled to any share in such distribution.

NEW SECTION. **Sec.**  (1) Except for section 3 of this act, this act takes effect July 1, 2016.

(2) Section 3 of this act takes effect July 1, 2023.

NEW SECTION. **Sec.**  Section 2 of this act expires July 1, 2023.

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