BILL ANALYSIS

Appropriations Committee

HB 1517

Brief Description: Concerning the distribution of liquor revenues to local jurisdictions.

Sponsors: Representatives Reykdal, Orcutt, Condotta, Springer, Johnson, Takko, Wylie, Nealey, Ryu, S. Hunt, Gregerson, Tharinger, Robinson, Moeller, Fey, Moscoso, Orwall, Haler, Peterson, Pike, Young, Magendanz and Goodman.

Brief Summary of Bill

- Modifies the distribution of excess funds from the Liquor Revolving Fund.

Hearing Date: 4/7/15

Staff: Melissa Palmer (786-7388).

Background:

Initiative 1183 (I-1183), which was approved by the voters in November 2011, privatized the purchase, distribution, and sale of liquor. Prior to I-1183, the Washington State Liquor Control Board (WSLCB) handled the purchase, distribution, and sale of liquor through a state-owned distribution center, state-owned stores and certain contract stores.

Under the pre-I-1183 system, the liquor was marked-up and taxed prior to sale. A portion of the mark-up supported the operation of the state retail liquor stores. The excess profits from sales were deposited into the Liquor Revolving Fund and excess funds were distributed by a statutory formula:
- three-tenths of 1 percent to border areas;
- 50 percent to the state;
- 10 percent to the counties; and
- 40 percent to incorporated cities and towns.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

I-1183 eliminated state collection of liquor profits and instead created two license fees. One fee is paid by distributors and one is paid by retailers. All licensure fees are deposited into the Liquor Revolving Fund (Fund).

I-1183 specified that amounts distributed from the Fund to border areas, counties, cities, towns, and the municipal research center must be made in a manner that provides each category of recipient an amount that is no less than that received from liquor profits in the Fund during comparable periods prior to December 8, 2011, plus an additional $10 million distributed from the Fund for public safety.

Since Fiscal Year 2013, distributions from the Fund to these local governments are no longer based on a statutory formula but rather a flat amount based on distributions during a comparable period prior to December 8, 2011, plus the $10 million specified in the initiative. Any amounts remaining in the Fund after these distributions are deposited into the State General Fund.

Summary of Bill:

Beginning September 1, 2015, the distributions from the Fund are modified and, instead of disbursing a set amount, the disbursements are based on the following formula:

- three-tenths of 1 percent to border areas;
- 50 percent to the State General Fund;
- 10 percent to counties; and
- 40 percent to incorporated cities and town.

Before the specified distributions are made, the quarterly portion of the $10 million public safety distribution established under I-1183 must be disbursed to local jurisdictions. The amount distributed to local governments under the formula may not be less than the set amount based on distributions during comparable periods prior to December 8, 2011, excluding the $10 million. The distribution of funds to incorporated cities and towns must be made ratably based on population.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on September 1, 2015.