

# HOUSE BILL REPORT

## ESHB 1965

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### As Passed Legislature

**Title:** An act relating to a temporary additional fee on licenses and permits issued by the Washington state liquor control board.

**Brief Description:** Implementing a temporary additional fee on licenses and permits issued by the Washington state liquor control board.

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives Hudgins and Ormsby; by request of Liquor Control Board).

#### **Brief History:**

##### **Committee Activity:**

Commerce & Gaming: 2/9/15, 2/16/15 [DP];  
Appropriations: 2/26/15, 2/27/15 [DPS].

##### **Floor Activity:**

Passed House: 6/29/15, 58-40.  
Passed Senate: 6/30/15, 29-16.  
Passed Legislature.

#### **Brief Summary of Engrossed Substitute Bill**

- Imposes a temporary additional fee on most liquor licenses and permits issued by the Liquor Control Board.
- Imposes a temporary additional fee on marijuana licenses.
- Requires that the additional fees be used for modernizing the Liquor Control Board's licensing, enforcement, and imaging systems.

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### HOUSE COMMITTEE ON COMMERCE & GAMING

**Majority Report:** Do pass. Signed by 5 members: Representatives Hurst, Chair; Wylie, Vice Chair; Blake, Kirby and Moscoso.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Condotta, Ranking Minority Member; Holy, Assistant Ranking Minority Member; Scott and Vick.

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*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.*

**Staff:** David Rubenstein (786-7153).

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 19 members: Representatives Hunter, Chair; Ormsby, Vice Chair; Parker, Assistant Ranking Minority Member; Carlyle, Cody, Dunshee, Hansen, Hudgins, S. Hunt, Jinkins, Kagi, Lytton, Pettigrew, Sawyer, Senn, Springer, Sullivan, Tharinger and Walkinshaw.

**Minority Report:** Do not pass. Signed by 13 members: Representatives Chandler, Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Buys, Condotta, Dent, Haler, G. Hunt, MacEwen, Magendanz, Schmick, Stokesbary, Taylor and Van Werven.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Fagan.

**Staff:** Andy Toulon (786-7178).

### **Background:**

The Liquor and Cannabis Board (Board) issues various licenses and permits relating to the production, distribution and retail sale of beer, wine, and spirits. It also issues licenses for the production, processing, and retail sale of marijuana under the Controlled Substances Act. Each license and permit issued by the Board carries a fee, which is either fixed (as in the case of microbrewery licenses, for example) or varied depending on sales (as in the case of the spirits retail license fee).

### **Summary of Engrossed Substitute Bill:**

A nonrefundable additional fee is imposed on all applications and renewals of licenses and permits relating to spirits, beer, and wine. The fee is equal to 6.2 percent of the licensing or permit fee that is otherwise due. The 17-percent spirits retail license fee and the 5- to 10-percent spirits distributor license fee are exempt from the additional fee.

A nonrefundable additional fee is imposed on all applications and renewals of licenses relating to marijuana under the Controlled Substances Act. The fee is equal to 6.2 percent of the license fee that is otherwise due.

In both cases, the fees apply to all applications and license modifications received after the effective date of the act, and to renewals of licenses expiring after June 30, 2015. Both fees expire June 30, 2017.

The Licensing and Enforcement System Modernization Project Account is created to receive the fees. Expenditures from the account may be used only for the cost of replacing and modernizing the Board's licensing, enforcement, and imaging systems. Improvements may include:

- automation of licenses and permits;
- electronic payments;

- data warehousing;
- project management and system testing;
- consulting;
- contracting;
- staff time; and
- necessary data conversion, software, hardware, and other equipment costs.

The act takes effect only if, by June 30, 2016, the licensing and enforcement modernization project has received a funding allocation from the information technology pool appropriated in the 2015-17 omnibus operating appropriations act. The Board must conduct a thorough business process examination, which includes evaluating and articulating how any new system procurement serves the current and future needs of Board stakeholders, prior to making any expenditure from the Licensing and Enforcement System Modernization Project Account. The Office of Financial Management (Office) must provide notice of the effective date of this act to the Liquor and Cannabis Board, the Chief Clerk of the House of Representatives, the Secretary of the Senate, the Office of the Code Reviser, and others deemed appropriate by the Office. The Director of the Board must authorize expenditures.

The fund is subject to generally applicable allotment procedures, but appropriation is not required for expenditures. The fund expires June 30, 2019.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The act takes effect upon the Office of Financial Management making a funding allocation from the information technology pool appropriated in the 2015-17 omnibus operating appropriations act. The act only becomes effective if the Office of Financial Management makes a funding allocation from the information technology pool appropriated in the 2015-17 omnibus operating appropriations act by June 30, 2016.

**Staff Summary of Public Testimony (Commerce & Gaming):**

(In support) The Board's information technology (IT) infrastructure was first adopted about 25 years ago, and the software is very outdated. The rapid growth in licenses in the past several years necessitates an update in order to meet the Board's standards. The outdated IT infrastructure delays license approvals and renewals, causes breakdowns, and poses a serious risk to the agency and public safety in the era of cybersecurity breaches. This bill would raise \$3.2 million to update the Board's IT, and stakeholders understand that a small temporary fee will help the Board warehouse data for public access, increase staff efficiency, and let businesses apply and check their application status online.

(Neutral) The State Chief Information Officer (CIO) ranks needed IT updates for state agencies, and the Board's IT system is ranked as most in need of an update. The CIO assesses the agency's ability to execute its mission and the need for improved security. The proposed changes would help the Board improve in each of those areas and move toward a recommended custom, off-the-shelf system and a cloud-based system.

(Opposed) None.

**Staff Summary of Public Testimony (Appropriations):**

(In support) The temporary fee will pay to replace a system that is 25 years old and is written in the COBOL (common business oriented language) programming language. The Board completed a detailed feasibility study. The licensing and enforcement staff using the legacy information technology system are on the frontline and are the ones that interface with customers and stakeholders. The Board now has over 100 licenses and permits. The solution is a commercial off-the-shelf system that is scalable and flexible to meet current and future needs. The benefit to the stakeholders will be an online payment option, a data warehouse, and a 25 percent reduction in the time it takes to process licensing. The Washington Restaurant Association represents 37 percent of the businesses the Board licenses and regulates and about 75 percent of the licensing fees that the Board collects. The industry feels that ensuring public safety is a primary goal of the Board and supports the modernization effort.

(Opposed) None.

**Persons Testifying (Commerce & Gaming):** (In support) Representative Hudgins, prime sponsor; and James Paribello and Heidi Geatlers, Liquor Control Board.

(Neutral) James Hammond, Washington State Chief Information Office.

**Persons Testifying (Appropriations):** Representative Hudgins, prime sponsor; James Parabello, Liquor Control Board; and Julia Gorton, Washington Restaurant Association.

**Persons Signed In To Testify But Not Testifying (Commerce & Gaming):** None.

**Persons Signed In To Testify But Not Testifying (Appropriations):** None.