SENATE BILL REPORT
SB 6425

As of January 22, 2016

Title: An act relating to gradually increasing the local government share of excess liquor revenues until the percentage-based method for distributions is restored.

Brief Description: Concerning gradually increasing the local government share of excess liquor revenues until the percentage-based method for distributions is restored.

Sponsors: Senators Hewitt, Fraser, Roach, Parlette, Mullet, Hobbs, Rivers, Takko, McCoy, Liias, Warnick, Ericksen, Rolfes, Darneille, Habib, Sheldon, Chase, Hasegawa and Conway.

Brief History:
Committee Activity: Ways & Means: 1/27/16.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

Background: Liquor Fee Revenue Distributions. Initiative 1183 (I-1183), which was approved by the voters in November 2011, privatized the purchase, distribution, and sale of liquor in Washington State. Prior to I-1183, the Liquor and Cannabis Board (LCB) 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 markup supported the operation of the state retail liquor stores. The excess profits from sales were deposited into the Liquor Revolving Fund (Fund), and excess funds were distributed by a statutory formula. Border areas received 0.3 percent, and of the remaining:
- 50 percent went to the state;
- 10 percent to the counties; and
- 40 percent to incorporated cities and towns.

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

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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 fixed amount determined by 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. The total fixed amount is $49.4 million per year.

Summary of Bill: Beginning fiscal year 2018 additional revenues, above the current fixed amount of $49.9 million per year, from the Fund will be distributed to local governments as follows:

- for FY 2018, $2.5 million;
- for FY 2019, $5 million;
- for FY 2020, $7.5 million;
- for FY 2021, $10 million;
- for FY 2022, $12.5 million; and
- for FY 2023, $15 million.

The additional revenues must be distributed using the following formula. Border areas receive 0.3 percent, and of the remaining:

- 20 percent to counties; and
- 80 percent to cities.

For fiscal year 2024 and beyond, the distribution of revenues in the Fund reverts back to a statutory formula as follows. Border areas receive 0.3 percent, and of the remaining:

- 50 percent to the state general fund;
- 10 percent to counties; and
- 40 percent to cities.

The distributions made using the formula are in addition to the required $10 million for public safety.

Appropriation: None.

Fiscal Note: Requested on January 21, 2016.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2016, except for section 3 which takes effect July 1, 2023.