

Individual State Agency Fiscal Note

Revised

Bill Number: 1344 HB	Title: Low-proof beverages/tax	Agency: 195-Liquor and Cannabis Board
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.9	0.0	0.5	0.0	0.0
Account					
Liquor Revolving Account-State 501-1	448,678	0	448,678	0	0
Total \$	448,678	0	448,678	0	0

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.

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OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/01/2023

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(26) defines “low-proof beverage” as any beverage that is 16oz or less and that contains more than 0.5% alcohol by volume and less than 7% alcohol by volume, but does not include wine, malt beverages, or malt liquor.

Section 2(5) would exempt sales of “low-proof beverage” from the 17% spirits retailer license issuance fee.

Section 3 adds a tax on the sale of low-proof beverages equal to \$2.50/gallon, payable by a spirits distributor, distillery, craft distillery, and spirits COA with direct ship endorsement.

Section 4(3e): Sales of “low-proof beverage” are also exempt from the spirits distributor license issuance fee.

Section 5(10d): The term “spirits” does not include “low-proof beverages.”

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.

This bill defines “low-proof beverage” as any beverage that is 16oz or less and that contains more than 0.5% alcohol by volume and less than 7% alcohol by volume, but does not include wine, malt beverages, or malt liquor. Sales of “low-proof beverage” would be exempt from the 17% spirits retailer license issuance fee. A new tax is added on the sale of low-proof beverages equal to \$2.50/gallon, payable by a spirits distributor, distillery, craft distillery, and spirits COA with direct ship endorsement. Sales of “low-proof beverage” are also exempt from the spirits distributor license issuance fee.

The effect of these changes is indeterminate as the agency does not know the volume of sales of beverages that would be considered "low-proof" and thus the loss of revenue from the exemptions to the spirits retailer license issuance fee and spirits distributor license issuance fee can not be assumed.

Likewise, since the volume of sales of these beverages is unknown, it is unknown what the increase in revenue from the \$2.50/gallon tax would be.

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.

INFORMATION TECHNOLOGY DIVISION:

The division will have onetime staff costs to implement this bill, due to needing to modify the agency's internal spirits reporting system, and oversight by OCIO quality assurance.

0.9 FTE IT App Development - Senior/Specialist - \$139,753 (\$138,790 salary/benefits, \$963 in associated costs, \$1,725 for equipment purchases).

IT Investments – Approval and Oversight. The Office of the Chief Information Officer (OCIO) defines a major technology investment as one having a total cost that includes a combined level of effort of more than \$500,000 OR has a duration longer than 4-months.

If the agency fiscal note analysis anticipates one or both of these criteria being met, the agency is required under OCIO Policy #121 to submit an online self-assessment via OCIO's Information Technology Assessment Tool (ITPA) speaking to effort size, risk and expected impact on citizens and state operations. If the agency assumes that OCIO's formal decision is to place the project/effort under formal OCIO oversight, the agency would be required under OCIO Policy #132 to have external Quality Assurance (QA) services present at all stages of the project, from feasibility through implementation.

The agency currently estimates that cost at \$160/hr over the estimated lifetime of the project/effort.

OCIO QA Oversight: 1,920 hours x \$160/hr = \$307,200.

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	448,678	0	448,678	0	0
Total \$			448,678	0	448,678	0	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.9		0.5		
A-Salaries and Wages	106,845		106,845		
B-Employee Benefits	31,945		31,945		
C-Professional Service Contracts	307,200		307,200		
E-Goods and Other Services	988		988		
G-Travel					
J-Capital Outlays	1,700		1,700		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	448,678	0	448,678	0	0

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
IT App Development - Senior/Specialist	118,716	0.9		0.5		
Total FTEs		0.9		0.5		0.0

III. D - Expenditures By Program (optional)

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
INFORMATION TECHNOLOGY DIVISION (070)	448,678		448,678		
Total \$	448,678		448,678		

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.



Ten-Year Analysis

Bill Number 1344 HB	Title Low-proof beverages/tax	Agency 195 Liquor and Cannabis Board
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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)

This bill defines "low-proof beverage" as any beverage that is 16oz or less and that contains more than 0.5% alcohol by volume and less than 7% alcohol by volume, but does not include wine, malt beverages, or malt liquor. Sales of "low-proof beverage" would be exempt from the 17% spirits retailer license issuance fee. A new tax is added on the sale of low-proof beverages equal to \$2.50/gallon, payable by a spirits distributor, distillery, craft distillery, and spirits COA with direct ship endorsement. Sales of "low-proof beverage" are also exempt from the spirits distributor license issuance fee.

The effect of these changes is indeterminate as the agency does not know the volume of sales of beverages that would be considered "low-proof" and thus the loss of revenue from the exemptions to the spirits retailer license issuance fee and spirits distributor license issuance fee can not be assumed.

Likewise, since the volume of sales of these beverages is unknown, it is unknown what the increase in revenue from the \$2.50/gallon tax would be.

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