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**SUBSTITUTE HOUSE BILL 1113**

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**State of Washington**

**65th Legislature**

**2017 Regular Session**

**By** House Appropriations (originally sponsored by Representatives Hayes, Senn, Nealey, Appleton, Shea, Goodman, McCaslin, Wylie, Stokesbary, Peterson, Wilcox, Springer, Griffey, Ryu, Hargrove, Robinson, Vick, Ortiz-Self, Fey, Tharinger, Buys, Orwall, Harmsworth, Pike, Farrell, McBride, Stambaugh, Clibborn, Gregerson, Holy, Kloba, Stanford, Muri, Sells, McDonald, and Bergquist)

READ FIRST TIME 02/13/17.

1 AN ACT Relating to gradually increasing the local government  
2 share of excess liquor revenues until the percentage-based method for  
3 distributions is restored; amending RCW 66.08.190, 66.08.190, and  
4 66.08.210; creating a new section; providing effective dates;  
5 providing an expiration date; and declaring an emergency.

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

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

19 (2) The legislature further finds that, in 2011, when voters  
20 approved Initiative Measure No. 1183 to privatize liquor sales, they  
21 did so with the expectation that funding for local public safety

1 efforts related to alcohol would be increased. The legislature  
2 further finds that the passage of Engrossed Substitute House Bill No.  
3 2823 in the 2012 2nd sp. sess. had the opposite effect, capping  
4 specific liquor revenue distributions to cities and counties and  
5 changing what had been a percentage-based distribution formula to a  
6 flat annual amount that does not grow with increased liquor sale  
7 revenues.

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

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

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

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

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

37 (i) Two and one-half million dollars in fiscal year 2019;

38 (ii) Five million dollars in fiscal year 2020;

39 (iii) Seven and one-half million dollars in fiscal year 2021;

1 (iv) Ten million dollars in fiscal year 2022;

2 (v) Twelve and one-half million dollars in fiscal year 2023; and

3 (vi) Fifteen million dollars in fiscal year 2024.

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

6 (i) Three-tenths of one percent to border areas under RCW  
7 66.08.195; and

8 (ii) Of the remaining moneys:

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

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

13 (c) Sixty percent of the amounts distributed under (b) of this  
14 subsection must be used for public safety, including fire protection,  
15 and criminal justice purposes. Criminal justice purposes has the same  
16 meaning as provided in RCW 82.14.340(4).

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

19 **Sec. 3.** RCW 66.08.190 and 2012 2nd sp.s. c 5 s 8 are each  
20 amended to read as follows:

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

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

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

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

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

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

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

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

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

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

11 (c) If the total amount distributed to local governments is  
12 greater than the distribution required under RCW 66.24.065, sixty  
13 percent of any amount disbursed to local governments under (a) of  
14 this subsection must be used for public safety, including fire  
15 protection, and criminal justice purposes. Criminal justice purposes  
16 has the same meaning as provided in RCW 82.14.340(4).

17 **Sec. 4.** RCW 66.08.210 and 2012 2nd sp.s. c 5 s 11 are each  
18 amended to read as follows:

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

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

29 NEW SECTION. **Sec. 5.** (1) Except for section 3 of this act, this  
30 act is necessary for the immediate preservation of the public peace,  
31 health, or safety, or support of the state government and its  
32 existing public institutions, and takes effect July 1, 2017.

33 (2) Section 3 of this act takes effect July 1, 2024.

34 NEW SECTION. **Sec. 6.** Section 2 of this act expires July 1,  
35 2024.

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