

HOUSE BILL REPORT

HB 1113

As Reported by House Committee On: Appropriations

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: 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.

Brief History:

Committee Activity:

Appropriations: 1/23/17, 2/9/17 [DPS].

Brief Summary of Substitute Bill

- Modifies the distribution of state revenues from the Liquor Revolving Account to local governments and the State General Fund.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 31 members: Representatives Ormsby, Chair; Robinson, Vice Chair; Chandler, Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Stokesbary, Assistant Ranking Minority Member; Bergquist, Buys, Caldier, Condotta, Fitzgibbon, Haler, Hansen, Harris, Hudgins, Jinkins, Kagi, Manweller, Nealey, Pettigrew, Pollet, Sawyer, Schmick, Senn, Springer, Stanford, Sullivan, Taylor, Tharinger, Vick, Volz and Wilcox.

Minority Report: Do not pass. Signed by 1 member: Representative Lytton.

Minority Report: Without recommendation. Signed by 1 member: Representative Cody.

Staff: Linda Merelle (786-7092).

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.

Background:

Before the passage of Initiative 1183 (Initiative), the purchase and sale of liquor occurred through a state-owned distribution center and state-owned stores and certain contract stores. With the passage of Initiative 1183, the operations of state liquor stores and liquor distribution ceased as of June 1, 2012.

The Initiative specified that distributions of excess funds from the Liquor Revolving Account to border areas, counties, cities, towns, and the municipal research center would be provided in an amount no less than that received during comparable periods prior to the effective date of the Initiative. In addition, the Initiative provided that \$10 million would be distributed to local governments for public safety. The funds remaining after distribution to the Municipal Research Center and local governments must be deposited into the State General Fund. Since 2012 the amount of the distribution of funds to local governments has remained constant.

Border areas include any incorporated city or town, or unincorporated area that is located within seven miles of the Washington-Canadian border.

Summary of Substitute Bill:

The distribution of excess funds from the Liquor Revolving Account to local governments is modified in multiple stages.

Distributions from July 1, 2018, until July 1, 2024.

From fiscal year (FY) 2019 through FY 2024, \$2.5 million, for each successive fiscal year, is added to the portion of excess funds distributed to local governments. In FY 2024, the amount of additional funds is \$15 million. The funds must be disbursed as follows:

- 0.3 percent of the total amount distributed must be provided to border areas; and
- of the amount remaining after distribution to border areas, 20 percent must be provided to counties, and 80 percent to incorporated cities and towns.

The remaining amount must be deposited into the State General Fund. Of the amounts distributed to local governments, 60 percent must be used for public safety, including fire protection and activities that substantially assist the criminal justice system.

Distributions Beginning July 1, 2024.

Beginning July 1, 2024, before other disbursement to local governments are made, 0.3 percent of the excess funds is distributed to border areas. Of the remaining excess funds, 50 percent must be deposited in the State General Fund, 10 percent distributed to the counties and 40 percent to incorporated cities and towns.

The annual distributions to local governments after July 1, 2024, may not be less than the amount established for distribution after passage of Initiative 1183, excluding the required

annual \$10 million for public safety. If the annual amount distributed to local governments is greater than the amount established after the passage of Initiative 1183, 60 percent of the funds provided to local governments must be used for public safety, including activities that substantially assist the criminal justice system.

Substitute Bill Compared to Original Bill:

The substitute bill adds an emergency clause.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: This bill contains an emergency clause and takes effect July 1, 2017, except for section 3, relating to a second modification of the distribution of revenue to local governments, which takes effect July 1, 2024.

Staff Summary of Public Testimony:

(In support) This is an important bill because it is a way to give back to the cities and counties to support public safety. The definition regarding public safety is intentionally very broad, and it allows for human services and domestic violence services. Since the Initiative passed, law enforcement has had increased responsibilities, and at the same time no increased funding has been provided. In the Initiative, local law enforcement and public safety was to be funded, and the Legislature has not followed through on that. Under the proposed distribution, as revenues grow, the state will not be hurt, and the cities and counties can get back up to speed. The distribution under this bill will allow local governments to refill their own general fund revenue. On an average, 50 percent of city budgets are devoted to public safety. The lost revenue that has not been shared with the local governments must come from somewhere else in the local general fund. Cities end up cutting other programs. Under this bill, revenue to local governments would continue to grow over time until the traditional distribution is achieved. Decades ago, the Legislature agreed to share liquor revenue with local governments because there was a recognition that the local governments would bear the burden of the effects of alcohol. The connection of alcohol and criminal activity is undeniable. Washington is one of the top property crime states, and these issues must be addressed with limited resources. This bill is important because it tries to recognize the immense pressures on law enforcement. County revenues are not growing nearly as fast as those for the state and the cities. Seventy-five percent of county general fund expenditures are for public safety. Jails are over capacity, and offenders are released back out on the street. Counties must divert money dedicated to roads in order to support public safety. As a result, there are obsolete or structurally deficient bridges. There should be more emphasis on fire protection services which many cities do not provide. Instead, some have formed regional fire authorities. A significant portion of fire services will be left without funding. The writers of the Initiative intentionally included language to protect funding of the Liquor Revolving Account. That funding should be restored.

(Opposed) None.

Persons Testifying: Representative Hayes, prime sponsor; Representative Senn; Patty Lent, City of Bremerton; Pat Johnson, City of Buckley and Association of Washington Cities; Ken Thomas, City of Kent; Doug Levy, Cities of Everett and Renton; Josh Weiss, Washington State Association of Counties; Holly Chisa, Northwest Grocery Association; and Michael White, Washington State Council of Fire Fighters.

Persons Signed In To Testify But Not Testifying: None.