



# The Privatization of Liquor

If approved by voters, I-1183 would fully privatize liquor sales and distribution. The measure is sponsored by a group of retailers and restaurants, including Costco, Trader Joe's, the Northwest Grocery Association, and the Washington Restaurant Association.

## How much liquor revenue do cities receive?

State and local governments get two types of revenue from liquor sales: liquor profits and liquor taxes

- Liquor board profits are revenues from permits, licenses, and liquor store sales. The state first pays for the activities of the Liquor Control Board (administration, sales staff, leases, etc.). The remaining profits are shared: 50% to the state, 40% to cities, and 10% to counties. (Border areas receive an additional distribution.)
- Liquor excise taxes come from a state tax to consumers and restaurant licensees. The tax rates include a basic rate plus surcharges. Revenues from the basic rates of 15% for consumers and 10% for restaurants are shared: 65% to the state, 28% to cities, and 7% to counties. The state retains all surcharge revenue.

The Municipal Research and Services Center's *Budget Suggestions for 2012* estimates revenue distributions to cities as follows:

Distributions to cities	2010	2011
Liquor profits	\$33,276,498	\$29,471,000
Per capita profits	\$7.93	\$6.85
Liquor tax	\$20,622,713	\$21,341,000
Per capita liquor tax	\$4.91	\$4.96

## What impact would I-1183 have on local revenue?

The initiative specifies that local governments are to continue to receive, in the aggregate, no less liquor revenue than comparable periods plus an additional \$10 million per year for public safety.

In general, liquor taxes would remain. The current liquor markup – the primary source of revenue for liquor profits – would end. However, the initiative provides a new annual license fee for liquor retailers (17% of its liquor sales) and distributors (10% of its liquor sales for the first two years; 5% of its liquor sales after that), which would be distributed as the markup currently is. During the first year, distributors must collectively pay \$150 million in license fees.

## Key provisions of I-1183

- Private stores must be at least 10,000 square feet with limited exceptions.
- Local government, the public, churches, and schools may object to issuance of local liquor licenses.
- Employees selling liquor must complete compliance training every five years.
- Fines and license suspensions for liquor violations will double for some retailers.

## Key dates in I-1183

- Private liquor distribution begins: March 1, 2012
- Private liquor stores open: June 1, 2012
- State liquor stores must close: June 1, 2012
- State liquor distribution & liquor markup ends: June 1, 2012

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The Office of Financial Management (OFM) estimates the liquor license fees will increase revenue for local and state governments if the initiative passes. Over six years, local governments would receive an additional \$186 to \$227 million over current projections. The State General Fund would receive an additional \$216 and \$253 million. OFM assumes that an estimated 1,428 retailers would begin selling liquor, and sales would increase 5% due to increased availability. OFM further assumes that the liquor markup would increase under a private system. In an analysis partially funded by Costco, the Washington Research Council estimated that liquor revenue to local governments would increase by \$279 million over six years if the initiative passes.

### **What happens to the state's plan to contract out liquor distribution if I-1183 passes?**

In 2011, the Legislature passed a bill requiring the state to seek proposals to contract out liquor warehousing and distribution. The proposals must demonstrate a positive financial benefit to both the state and local governments. I-1183 specifically repeals any law adopted in 2011 regarding liquor warehousing and distribution, and as Governor Gregoire signed the bill into law, she said she did not expect the state to enter into a distribution contract prior to November's election.

### **What is AWC's role?**

AWC will continue to provide our members with educational materials. Please visit our website for links to OFM's fiscal note, campaign websites, initiative text, and more at [www.awcnet.org/initiatives](http://www.awcnet.org/initiatives).

*AWC has not taken a position for or against this ballot initiative. AWC's role is to provide its members with educational materials that can be shared with elected officials, staff and the community.*



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