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Liquor initiatives could cut revenues

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staff reporter

According to the Washington State Liquor Control Board, Clark County received about \$3.9 million during the 2010 fiscal year from revenues generated by liquor sales.

That \$3.9 million is disbursed each year to the county and city governments to be used to fund prevention programs, law enforcement sup-

port, health care benefits and more. According to the liquor control board, during 2010, the City of Battle Ground received \$215,391 from alcohol sales generated by the liquor control board.

Two legislative initiatives on the ballot Nov. 2 could potentially decrease these revenues for the state, county and cities. Initiatives I-1100 and I-1105 will be on the ballot and each

proposes to privatize liquor sales.

According to the text of I-1100, found on the Secretary of State Web site: "In order to strengthen the agency to more effectively educate the public, combat abuse, collect tax revenue and enforce state liquor laws, the Washington State Liquor Control Board will stop selling liquor and end its prohibition-era monopoly on selling

distilled spirits. The state will license the sale of distilled spirits to strictly regulated vendors who are already proven to be responsible sellers of beer and wine."

The initiative also states that it will improve regulations to prevent abusive and underage drinking, enforce licensing regulations and collect taxes for the state's general fund. First sponsored by a group called

Modernize Washington, I-1100 is also backed by Costco, who collected signatures to get the initiative on this year's ballot.

A May 24 press release put out by the Costco Wholesale Corporation states, "The company (Costco) believes the initiative best serves the interest of its members and consumers generally—providing them

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greater choices in their purchasing options and allowing them to benefit from efficiencies that the private sector and competition can bring to the sale of liquor, wine and beer.”

If both initiatives pass, the question as to which would be implemented would be resolved by the legislature and/or the courts. Lawmakers could choose to reconcile the differences or to defer to the initiative with the most votes.

Clark County Commissioners held a briefing Sept. 22 concerning some of the initiatives going on the ballot and I-1100 and I-1105 were discussed in detail. Information was presented on an information sheet, showing two revenue streams that would be affected by the two initiatives—liquor board revenues (profits) and liquor excise taxes.

City of Battle Ground finance and information services director Catherine Huber Nickerson said that in 2009, the City received \$82,669 in liquor excise tax and \$116,411 in liquor profits, resulting in a total of \$199,080.

“The City used those funds to pay \$4,038 in substance abuse programs with Clark County and the rest was used for law enforcement and municipal court,” she said.

Liquor board revenues come from the board mark-ups, permits, licenses, administrative fees and penalties. The liquor control board mark-up is currently 51.9 percent. These revenues are distributed 50 per-

cent to the state, 40 percent to the cities and 10 percent to the counties. According to the liquor control board’s Web site, ongoing Clark County revenues are projected at \$600,000-\$650,000 per year. Likewise, liquor excise tax revenue is distributed 65 percent to the state, 28 percent to cities and 7 per-

BY THE NUMBERS

Liquor Control Board revenues distributed during the 2010 fiscal year:

- Clark County: \$3.4 million
- Battle Ground: \$215,391
- La Center: \$32,146
- Ridgefield: \$52,378
- Woodland: \$65,212
- Vancouver: \$2.2 million

cent to the counties. The ongoing Clark County revenues are projected at \$400,000 per year.

According to the initiatives’ text, I-1100 will repeal the mark-ups put on liquor by the liquor control board, but maintain the liquor excise tax. However, I-1105 would repeal both the mark-ups and excise taxes and recommends the Legislature adopt tax measures that would make up for the lost revenue.

In addition to making up for lost revenue, the Legislature must also adopt measures to generate at least an additional \$100 million in projected revenue, net of expenses for operating the business over the course of the five-year period beginning Nov. 1, 2011.

The Odom Corporation, a wholesale beverage distributor, has backed I-1105 as well

as Young’s Market Company, a Los Angeles-based beverage company.

Ultimately, according to information presented to the commissioners, the I-1100 net revenue loss would be \$800,000 in 2011-2012 and \$1.1 million in 2013-2014, and the I-1105 net revenue loss would be \$1 million in 2011-2012 and \$1.5 million in 2013-2014.

Of all the liquor stores in Washington State, 160 are state-owned stores while 155 are contract stores, meaning the owner and employees of that store are not state employees. The Woodland liquor store, located at 1230 Lewis River Rd., and the Ridgefield liquor store, located at 214 Pioneer St., are contract stores as is the Battle Ground liquor store, located at 713 W Main St., suite 119.

Owner of the Ridgefield store, Scott Hughes, said he thinks that if one of these initiatives passes, it will be difficult for his store to stay in business. However, he said he thinks the stores in more rural areas such as Ridgefield might have more of a chance for continued profitability than those located in more populated areas because local people might just want to keep buying their alcohol there.

Contrary to state-owned liquor stores that will have to be shut down if one of the initiatives passes, contract stores are given the option of buying their inventory and becoming a private business. However, Hughes said the inventory in his liquor store might be too expensive for him to do that.

“I own a hardware store down here, too, and I have more

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You decide: Pros and Cons for Initiatives I-1100 and I-1105

PROS I-1100

(From the Modernize Washington Web site)

- Would end the 51.9 percent mark-up that the liquor control board puts on spirits.
- More choice: The market place will determine which alcohol products are sold in your neighborhood store.
- More convenience: People will not have to drive across town during limited hours to pick up a bottle at the liquor store.
- Combats teenage drinking: Adults won't feel the need to "stock up" on alcohol when alcohol is only a few minutes away at the grocery store; this means teenagers will be less likely to have access to alcohol in the home.
- Reduces state workers, creates more private sector jobs: Hundreds, maybe thousands of state workers will be displaced, but more private sector jobs will become available.
- Combats improper liquor importation: People will feel less of a need to go to other states to buy their alcohol when it's cheaper and easily accessible in Washington State.

I-1105

(From the Odom Corporation Web site)

- Guarantees \$100 million or more in additional revenue to the state in the next five years.
- Keeps public safety measures in place.
- Provides training for state liquor store workers displaced by reform.
- Liquor board has authority to license only qualified spirits retailers.
- Compensates taxpayers by requiring retailers and wholesalers to pay over \$300 million for licensing in the next five years.

CONS

I-1100 AND I-1105

(From the Clark County Commissioners information sheet, the Washington State Liquor Control Board Web site and the Vote No on I-1100 and I-1105 group)

- Higher taxes: Washington State would have to make up for lost liquor board revenues somehow; most likely through higher income tax or taxes on other items.
- Revenue loss: Alcohol sales generated \$332 million to the State of Washington in the 2010 fiscal year and \$3.4 million to Clark County. The state could lose \$11-\$200 million a year if this initiative passes.
- Increased underage drinking: Washington has a compliance rate of 95 percent, which is higher than most states that have privatized alcohol sales. The compliance rate could drop if these initiatives pass and give easier access to children.
- Loss of state jobs: The Washington State Liquor Control Board has 1,160 full-time employees. Between 800 and 1,000 of those employees would lose their jobs if these initiatives pass.
- The distribution center in Seattle and 160 state-operated stores would be closed down for good.
- Decreased law enforcement and drug and alcohol programs: Much of the revenues generated by liquor sales are used for law enforcement, education and drug and alcohol programs. These would face major cuts if the initiatives pass.

inventory in the liquor store than in the hardware store," he said.

Hughes said he understands why people think the sale of alcohol should be privatized, but he said it's really more of a taxing issue for him. He said he doesn't know how Washington will gather money to make up for the revenue lost if these initiatives pass, and he doesn't want the state income tax to get any higher.

Elizabeth Kester, owner of the Woodland liquor store, said she is frustrated with the way people are wording the initiatives to make them sound like they will make alcohol a lot cheaper to buy. She said since grocery stores and convenience stores also have mark-ups, she

doesn't think the actual price of alcohol will go down.

Kester also said she believes supplies will decrease if one of these initiatives passes because bigger stores like Costco and Walmart will only order major brands, leaving out those specialty brands some people prefer.

"If someone liked a certain brand of something, I could buy a few bottles of it, or whatever, and keep them for when someone wanted it," she said. "Grocery stores will carry major brands because it wouldn't be convenient or cost-effective for them to carry all the special brands."

Kester also said she thinks people aren't aware that some of the liquor stores in the state

have started changing their hours and the days they're open. She said a lot of stores are now open on Sundays and some holidays, and some have even extended their hours. She said because she owns her liquor store building, she might consider trying to purchase her inventory if the initiatives pass. However, she said she doesn't think the store would survive with just liquor so she would probably try to expand it and maybe have some discount cigarettes, beer and pipes.

"The only benefit that I see in these initiatives for the consumer is that they can go to the grocery store and get a bottle of booze at one in the morning," Kester said.