

# HOUSE BILL REPORT

## SSB 5173

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### As Passed House-Amended:

April 9, 1997

**Title:** An act relating to improving the liquor license schematic of the state of Washington.

**Brief Description:** Improving the liquor license schematic of the state of Washington.

**Sponsors:** Senators Schow, Prentice and Horn; by request of Liquor Control Board.

### Brief History:

#### Committee Activity:

Commerce & Labor: 3/26/97, 3/31/97 [DPA];

#### Floor Activity:

Passed House-Amended: 4/9/97, 98-0.

Finance: 4/3/97 [DPA(CL)].

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### HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** Do pass as amended. Signed by 9 members: Representatives McMorris, Chairman; Honeyford, Vice Chairman; Conway, Ranking Minority Member; Wood, Assistant Ranking Minority Member; Boldt; Clements; Cole; Hatfield and Lisk.

**Staff:** Pam Madson (786-7166).

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass as amended by Committee on Commerce & Labor. Signed by 11 members: Representatives B. Thomas, Chairman; Mulliken, Vice Chairman; Dickerson, Assistant Ranking Minority Member; Boldt; Butler; Conway; Kastama; Morris; Pennington; Schoesler and Van Luven.

**Staff:** Rick Peterson (786-7150).

**Background:** The Liquor Control Board issues licenses to those who manufacture, wholesale, or retail to the public, alcoholic beverages including beer, wine or liquor.

## **Alphabet– licensing scheme**

The current licensing scheme is designed to separately license the retail sale of beer and of wine. Additional licenses are required if the sale includes consuming the beverage both on- and off-premises of a retail business. There are separate licenses required to sell beer and wine in a tavern setting, where access to the premises is limited to persons over 21 years of age. Separate licenses are required to sell beer and wine from a grocery store where no consumption is allowed on the premises and the customers purchase the product in sealed containers. Nineteen of the 26 letters of the alphabet are required to designate each license with its unique restrictions.

## **License fees**

The fees charged for liquor licenses are set by the Legislature. Some license fees are based on the population of the community in which the licensee is located and whether the licensee is located in an unincorporated area. Large population centers are assigned the more expensive licenses.

## **Non-retail licenses**

Brewery license fees are calculated on barrel production beginning with \$50 for each 1,000 barrels up to a maximum of \$2,000. Winery license fees are set at three different levels of production: 100,000 liters or less (\$100); over 100,000 and up to 750,000 liters (\$400); and over 750,000 liters (\$850).

## **Other provisions**

In 1996, a sports entertainment facility license was established that allows the licensee to sell beer, wine and spirituous liquor for consumption on the premises. The license is issued to the entity that provides food and beverage service at the facility. Publicly or privately owned civic or convention centers may hold a class H license. Class H licensees may obtain a caterer's license to use the liquor stocks of the licensee for special occasions at locations not currently licensed by the board. Service is limited to the members and guests of eligible not-for-profit charitable organizations.

**Summary of Bill:** The current licensing structure is redesigned to eliminate the current alphabet-based– license scheme. Licenses are titled rather than lettered. For example, there are limited service restaurant licenses, full service restaurant licenses, tavern licenses, and grocery store licenses. Wholesalers are redesignated as distributors.

The new licensing scheme continues to distinguish between on-premises consumption and off-premises consumption for taverns and limited service restaurants. An

additional license is necessary to sell beer and wine for off-premises consumption. The license may be designated beer only or wine only and the license fee is less than for the combination of both beer and wine. The beer and wine off-premises license also allows the holder to sell beer in kegs. Any current tavern licensee who experiences a license fee increase of \$100 or more as a result of changing the licensing scheme may have the fee increase spread over two years.

The Liquor Control Board may issue a caterer's endorsement to a sports facility license. This allows the licensee to use its liquor stocks for special occasions at locations not currently licensed by the board. Service is limited to the members and guests of eligible not-for-profit charitable organizations.

The brewer's license is divided into two licenses: a domestic brewer's license (over 60,000 barrels) and a microbrewer's license (under 60,000 barrels). A winery license fee is based on two levels of production rather than three: less than 250,000 liters and 250,000 liter or more.

A domestic brewery must obtain a separate license to serve beer and wine of another manufacturer and spirituous liquor. Along with a domestic brewery license, the brewer must have either a tavern or limited service restaurant along with an off-premises beer and wine license or a full service restaurant license. A microbrewery may sell beer or wine of another manufacturer for on-premises consumption under an endorsement to its brewery license. The endorsement allows the microbrewery to operate as a tavern or limited service restaurant.

The basis for charging a different fee under the same license for full service restaurants changes from the basis of population and location to the percentage of dedicated dining area and type of service provided. Some licensees will experience an increase in fees and others will experience a decrease.

Depending on the combination of licenses formerly held by a single licensee, the cost of a new consolidated license will increase for some licensees and decrease for others.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on July 1, 1998.

**Testimony For:** (Commerce & Labor) Under the current license system, licensees had to obtain a number of licenses to operate, for example, a tavern business. Some of the licenses have different fees. Liquor licensees would shy away from the master business license system because of its complexity. Licensees would pay license fees

and find out the amount was incorrect, thus delaying the licensing process. The change in the liquor license schematic will reduce the frustration of licensees who use the master license system and the delays they experience in applying for business licenses. The industry, during public meeting over the summer, recommended that the Liquor Control Board simplify the process. The overall scheme started out with a positive fiscal impact; however, those paying the lower fees would see a drastic increase in fees under the new system. To accommodate the impact on these licensees, some changes were made to the fee structure. Those increases that may occur under the new structure are much more moderate. The new scheme does simplify the liquor license structure.

(Finance) The bill will result in a slight revenue reduction.

**Testimony Against:** (Commerce & Labor) None.

(Finance) None.

**Testified:** (Commerce & Labor) (In support) David Goyette, Liquor Control Board; Vito Chiechi, Washington State Licensed Beverage Association; Dick Ducharme, Washington Beer and Wine Wholesalers; and Kit Hawkins, Washington Restaurant Association.

(Finance) Carter Mitchell, Liquor Control Board.