

HOUSE BILL ANALYSIS

SSB 5173

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

Sponsors: Senate Committee on Commerce & Labor (originally sponsored by Senators Schow, Prentice, and Horn; by request of the Liquor Control Board)

Hearing: March 26, 1997

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 the retail sale of wine. Additional licenses are required if the sale includes consuming the beverage both on-premises and off-premises of the 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 twenty-six 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).

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 is a limited service restaurant license, a full service restaurant license, a tavern license, and a grocery store license. 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 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 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.

RULES AUTHORITY: The bill does contain provisions addressing rule-making powers of an agency.

FISCAL NOTE: Requested on March 24, 1997.

EFFECTIVE DATE: The bill takes effect on July 1, 1998.