

# SENATE BILL REPORT

## SB 5982

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As Reported By Senate Committee On:  
Ways & Means, March 10, 2003

**Title:** An act relating to the liquor control board fully implementing a retail business plan.

**Brief Description:** Implementing the liquor control board's retail business plan.

**Sponsors:** Senators Prentice, Hewitt, Doumit, Horn and Reardon.

**Brief History:**

**Committee Activity:** Ways & Means: 3/4/03, 3/10/03 [DPS, DNP].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5982 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rossi, Chair; Hewitt, Vice Chair; Zarelli, Vice Chair; Brown, Doumit, Fairley, Hale, Johnson, Parlette and Sheahan.

**Minority Report:** Do not pass.

Signed by Senators Fraser, Poulsen and Regala.

**Staff:** Chelsea Buchanan (786-7446)

**Background:** The Washington State Liquor Control Board (LCB) currently operates 157 state-run liquor retail stores, and contracts with 155 private vendors to sell liquor in rural areas.

Under current law, liquor sales are not permitted on Sundays. Effectively this means that state-run stores are not open on Sunday, but are open the other six days per week, and contracted vendors are open whichever days of the week they choose, but may not sell liquor on Sunday. Also, the LCB is prohibited from any type of advertising.

The LCB presently has a retail services business plan with recommendations to improve customer service, merchandising, locations, and other aspects of retail sales. Some of the business plan recommendations, including sales of liquor-related products such as mixers, corkscrews, etc. cannot be implemented without changes to current law. Other recommendations to improve in-store marketing techniques, by using vendor-created items, are allowable under current law but have not been implemented statewide.

Under current law, the LCB, through a vote of the board members, may adjust retail prices on liquor at any time. Retail price-setting is limited so that the net annual revenue received from the price of liquor shall not exceed 35 percent of total revenues.

**Summary of Substitute Bill:** The prohibition on Sunday sales is repealed. The prohibition on advertising is modified to exclude placement of signs visible through the windows of stores that advertise store hours or changes in store hours, use of media to publicize location, hours of operation, and changes in hours of operation, and in-store merchandising and point-of-sale advertising.

All contracted vendor stores are allowed to sell liquor on Sunday, but are not required to do so. The Liquor Control Board may appoint contracted vendor stores in any area of the state, including urban areas and areas already served by state stores.

The LCB shall open ten state-operated retail stores by September 1, 2003, based on the stores that are expected to gross the most revenue due to their location and experiences of other states. These stores are open at least five hours on Sunday, and the board adjusts non-peak sales hours to improve efficiency and partially offset the labor cost of opening on Sunday. Hours must still meet the needs of restaurants and taverns.

Based on the ten store openings, the experience of other states, and other sources, the board must study the days and hours of Washington State liquor stores that improve efficiency and yield the most revenue for the state.

LCB must create a retail services business plan to improve efficiency and maximize revenue-generating opportunities, and must present the plan to the Legislature by January 31, 2004. The plan must include, but is not limited to:

- expanding hours to include Sunday sales;
- implementing store hours that will be the most efficient and generate the most sales;
- in-store merchandising including point-of-sale advertising, and promotional displays;
- in-store merchandising of brands and gift packs; and
- appointing liquor vendors in areas that could support additional retail sales.

**Substitute Bill Compared to Original Bill:** The substitute does not allow the sale of liquor-related products, and does not place a pricing restriction on the Liquor Control Board until it opens stores on Sunday. Instead of requiring that 100 state stores be open on Sunday by July 1, 2004, it requires that ten be open on Sunday by September 1, 2003. The substitute requires a study of the efficiency of hours and days of sale. On advertising, the substitute allows liquor stores to display signs visible through windows that reflect store hours or changes in store hours, rather than any kind of sign. The substitute adds the opening of agency stores where additional sales can be supported to the retail business plan, and requires the plan to be presented to the Legislature by January 31, 2004. The substitute allows LCB to open contract vendor stores rather than state-operated stores in urban areas.

**Appropriation:** None.

**Fiscal Note:** Requested on February 28, 2003.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** This bill will make the state and suppliers more revenue. The state stands to make more than the suppliers--\$18 million of tax revenue in the 2003-05 biennium, plus

excess profits. Gross hourly sales are doubled on Sunday compared to the average of all other days of the week. The liquor-related products sold in Oregon liquor stores are not duplicated in grocery stores, so they don't compete.

**Testimony Against:** This bill will cost the state \$5 million in the 2003-05 biennium in salaries for liquor store workers. The board does not see a good enough business case to open on Sundays. Only some of the Oregon liquor stores are making more money due to Sunday sales, and less than half of Oregon stores chose to open on Sunday. The Liquor Control Board retail business plan has considered retailing liquor-related products, but the board prefers to find agreement on this issue with the food industry over this summer interim before proceeding with legislation. The board opposes the restriction on its ability to adjust prices until it opens stores on Sunday. Signs enticing people to enter state liquor stores are inappropriate. Contract liquor stores may not want to open on Sunday, so they may lose some business to state-run stores. Sunday sales may just spread sales around and not make more overall revenue, but labor costs are a major factor for contract stores. Commissions to contractors are higher in Oregon, so maybe it makes more sense for contractors there to be open on Sunday than in Washington. The revenue that could be generated by liquor taxes will be offset by less business and occupation taxes and sales tax from the retail industry. This bill is about protecting the price of liquor for suppliers, not about increasing revenue. The food industry doesn't oppose Sunday sales, but strongly opposes the sale of liquor-related products. The food industry commits to working on the issue over the summer if this bill is not passed allowing sale of these products. Advertising of wine at state liquor stores would be unfair competition with retailers. Sale of liquor-related items that grocery stores do not or cannot sell would be acceptable, but the issue needs work.

**Testified:** PRO: Mark Triplett, Diageo; Debbie Bunke, Sunnyside, OR Liquor Store; Bob Van Horn, #205 Liquor Store, Portland, OR; CON: Rick Garza, Washington State Liquor Control Board; Theresa Hancock, Contract Stores; Jan Gee, WA Food Industry; Mark Johnson, NFIB.