

# SENATE BILL REPORT

## SSB 5721

---

---

As Amended by House, April 5, 2007

**Title:** An act relating to allowing for financial arrangements between the holders of a sports/entertainment facility and manufacturers, importers, and distributors.

**Brief Description:** Concerning financial arrangements involving sports/entertainment facility license holders.

**Sponsors:** Senate Committee on Labor, Commerce, Research & Development (originally sponsored by Senator Kohl-Welles).

**Brief History:**

**Committee Activity:** Labor, Commerce, Research & Development: 2/22/07, 2/27/07 [DPS].  
Passed Senate: 3/10/07, 46-0.

---

### SENATE COMMITTEE ON LABOR, COMMERCE, RESEARCH & DEVELOPMENT

**Majority Report:** That Substitute Senate Bill No. 5721 be substituted therefor, and the substitute bill do pass.

Signed by Senators Kohl-Welles, Chair; Keiser, Vice Chair; Clements, Ranking Minority Member; Franklin, Hewitt, Holmquist, Murray and Prentice.

**Staff:** Jennifer Strus (786-7316)

**Background:** "Tied House" laws are intended to prevent inappropriate or coercive business practices among the various sectors of the liquor industry, either through domination of one tier over another or through exclusion of competitors' products. Washington's Tied House statute addresses the two fundamental aspects of tied house laws:

- the prohibition against manufacturers, importers, distributors, and authorized representatives from owning or having a financial interest in a retail license or owning property on which a retailer operates; and
- the prohibition against manufacturers, importers, distributors and authorized representatives from providing things of value ("money or money's worth") to licensees.

Washington's approach to changes in the business and social climate since the 1930s has been to carve out discrete, targeted legislative exceptions to these Tied House prohibitions as the need arises.

The Liquor Control Board can issue a license to a sports/entertainment facility. The license allows the facility to sell beer, wine, and spirits at retail for consumption only at the facility.

---

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

The license is issued to the entity providing food and beverage service at a sports entertainment facility.

A sports entertainment facility includes a publicly or privately owned arena, coliseum, stadium, or facility where sporting events are presented for the price of admission.

**Summary of Substitute Bill:** A manufacturer, importer, or distributor can enter into an arrangement with a sports/entertainment facility licensee or an affiliated business for brand advertising at the licensed facility or promoting events held at the facility.

This arrangement cannot be used as an inducement to purchase the manufacturer's, importer's or distributor's products. The arrangement cannot also result in the exclusion of brands or products of other companies.

The bill expires on June 30, 2008.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony:** PRO: This issue was discussed in the Three Tier Task Force this summer and the majority of the members voted to approve the policy that is reflected in this bill. This bill would put Washington on the same footing as sports arenas in other states. This bill is needed for some of the activities Emerald Downs has traditionally engaged in.

CON: This bill represents a substantial change in the Tied House laws. The LCB is currently looking at Tied House issues and it would be better to wait to see what that group recommends.

OTHER: This bill represents a very broad exception and it would be better to wait to see what recommendations for change the group makes.

**Persons Testifying:** PRO: Martha Fuller, First and Goal; Jim Halstrom, Emerald Downs; Becky Bogard, Washington State Sports and Entertainment Facility Operatives Association.

CON: Ron Main, Washington Beer and Wine Wholesalers.

Other: Rick Garza, LCB.

**House Amendment(s):** Requires the LCB to monitor the impacts of arrangements and report to the Legislature by December 30, 2008, and biennially thereafter. Provides the LCB with authority to conduct audits. The audits may include product selection, purchase patterns, contracts, and the amount allocated or used for liquor advertising. Limits authorization to facilities with a capacity of 500 or more. Removes the expiration date.