
State Government & Tribal Affairs
Committee

HB 1116

Brief Description: Concerning alcohol sales in state liquor stores and contract liquor stores.

Sponsors: Representatives Alexander and Dammeier.

Brief Summary of Bill

- Requires the Liquor Control Board (Board) to convert at least 20 state liquor stores to contract stores and convert an additional 10 stores on a pilot basis.
- Requires the Board to study the contracting out of the retail sale of liquor and report findings and recommendations to the Legislature by December 31, 2013.
- Requires legislative approval to increase the number of contract liquor stores.

Hearing Date: 2/7/11

Staff: Joan Elgee (786-7106).

Background:

Washington is one of 18 liquor "control" states, in which the state has a monopoly over the distribution and sale of specified types of liquor. In Washington, spirits may be sold only in state liquor stores and contract liquor stores. An exception allows limited sales of spirits by craft distilleries. The Liquor Control Board (Board) determines the localities where state liquor stores are established and the number of stores within each locality. The Board must also appoint contract liquor stores in cities and towns and other communities where no state liquor store is located. There are approximately 165 state liquor stores and 160 contract liquor stores in the state.

In December 2009, the State Auditor's Office issued a report, "Opportunities for Washington," which analyzed six alternatives to the current model of wholesale and retail liquor sales, including converting state liquor stores to contract liquor stores.

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.

A budget proviso in the 2010 supplemental operating budget required the Board to prepare a plan to convert at least 20 state stores to contract stores. The Legislature directed the Board to identify stores for transition that the Board determined would result in the greatest efficiency and cost-effectiveness for the state.

Summary of Bill:

Intent is stated that selective further contracting out of the state's retail liquor sales will result in a system that is more efficient and cost-effective than the current hybrid system of state liquor stores and contract liquor stores. In addition, the Legislature finds that it is in the best interests of the state to consider how to implement a full contract liquor store system. In converting state liquor stores to contract liquor stores, the Legislature intends that there be no revenue loss to the state.

The Board must convert at least 20 state liquor stores to contract stores between September 1, 2011, and July 1, 2013. The Board must select the state stores for conversion that the Board determines will result in the greatest efficiency and cost-effectiveness for the state.

The Board must convert an additional 10 stores on a pilot basis. These conversions must take place between September 1, 2011, and July 1, 2012. For these conversions, the Board must select medium and high volume stores so as to best allow the Board to recommend under what conditions a full contract liquor store system would be more efficient and cost-effective for the state.

The Board must study the contracting out of the state's retail sale of liquor. The study must include the following:

- an analysis of the revenue generating capacity for the state of newly established contract stores compared to the converted state liquor stores;
- a comparison between the newly established contract stores and state liquor stores of key performance indicators including inventory audit results, inventory turns, product selection, square footage, and the impact on customer satisfaction including the impact on licensees;
- an analysis of access to liquor by intoxicated and underage persons; and
- an assessment of conditions under which a full contract liquor store system would be more efficient and cost-effective for the state.

The Board must report its findings and recommendations to the appropriate committees of the Legislature by December 31, 2013.

Legislative approval is required to increase the number of contract liquor stores. An independently owned beer/wine grocery store under 60,000 square feet may be a contract liquor store.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.