

SENATE BILL REPORT

ESSB 6477

As Passed Senate, February 14, 2012

Title: An act relating to liquor licensing, sales, and tasting.

Brief Description: Concerning liquor licensing, sales, and tasting.

Sponsors: Senate Committee on Labor, Commerce & Consumer Protection (originally sponsored by Senators Conway, Holmquist Newbry and Kohl-Welles).

Brief History:

Committee Activity: Labor, Commerce & Consumer Protection: 1/31/12, 2/02/12 [DPS].
Passed Senate: 2/14/12, 34-13.

SENATE COMMITTEE ON LABOR, COMMERCE & CONSUMER PROTECTION

Majority Report: That Substitute Senate Bill No. 6477 be substituted therefor, and the substitute bill do pass.

Signed by Senators Kohl-Welles, Chair; Conway, Vice Chair; Holmquist Newbry, Ranking Minority Member; King, Assistant Ranking Minority Member; Hewitt, Keiser and Kline.

Staff: Stephanie Christensen (786-7405)

Background: Day Spa. An entity serving alcohol for on-premises consumption must obtain the appropriate license to do so from the Liquor Control Board (LCB). There are specific exemptions allowing an entity to serve alcohol without charge and without a license or permit from the LCB. Currently, wedding boutiques and art galleries may offer a complimentary glass of beer or wine to customers who are at least 21 years of age for on-premises consumption. The wine or beer served must have been purchased from a licensed retailer or a Washington State liquor store at full retail price. The wedding boutiques and art galleries cannot sell beer or wine and cannot advertise that they offer complimentary beer or wine. Employees who serve the beer or wine must complete an LCB approved limited alcohol server training program. Art galleries are rooms or buildings devoted to the exhibition and/or sale of art. Wedding boutiques are businesses primarily engaged in the sale of wedding merchandise.

Senior Center License. Nonprofit organizations can currently be issued a retailer's special occasion license to sell spirits, beer, and wine by the individual serving for on-premises

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consumption at specified events. The date and place must be specified. The fee for a special occasion license is \$60 per day. Sales are limited to no more than 12 calendar days per year for such events. Exceptions to the 12 calendar day limit are allowed for agricultural county and area fairs.

Private Labels. Liquor industry members are prohibited from advancing or receiving monies or monies worth through their business practices. However, a variety of exceptions exist. Some examples are industry members providing retailers with branded promotional items of nominal value or building and restocking retail can or bottle displays. Similarly, wineries, certificate of approval holders, and licensed retailers are permitted to identify the producers on private labels authorized under current law. This is not considered to be advancing or receiving monies or monies worth.

Spirits Sampling in Contract Liquor Stores. State liquor stores and contract liquor stores have been authorized to participate in a pilot program to allow spirits sampling between September 2011 and September 2012. With the passage of Initiative 1183, the Washington State Liquor Control Board (WSLCB) ceases state liquor distribution operations by June 1, 2012. Contract liquor stores, which are operated by small business owners, may continue to sell spirits, but state-run liquor stores are closed.

The Seattle Distribution Center, which supplies state and contract liquor stores with spirits, will be sold. The private sector will be allowed to sell and distribute spirits with proper liquor licenses.

Grocery Store Beer and Wine Tasting. A grocery store licensed to sell beer and/or wine may obtain an endorsement to offer beer and wine tasting. A store seeking to obtain the endorsement must meet the following criteria:

- at least 50 percent of the gross sales of the store must be from retail sales of grocery products for off-premise consumption, or the store must be a membership organization;
- the store must be at least 9,000 square feet; and
- the store cannot have more than one public safety violation within the past two years.

The licensee must be able to observe and control individuals in the tasting service area, make food available for participants, limit sample size to two ounces, and provide no more than four ounces per customer per visit. Store employees serving beer and/or wine at tasting events must hold an alcohol servers permit, and sampling costs must be borne by the store.

A tasting endorsement may be suspended and not reissued for up to two years if the store is found to have committed a public safety violation in conjunction with tasting activities. A monetary penalty may be assessed by LCB in lieu of suspension.

The fee for the endorsement is \$200 per year.

Summary of Engrossed Substitute Bill: Day Spa. Day spas are permitted to offer a complimentary glass of beer or wine to customers who are at least 21 years of age, in the same manner as art galleries and wedding boutiques. However, if the day spa provides massages, the beer or wine cannot be offered to the customer until the massage is completed.

A day spa is defined as a business that offers at least three of the following beauty services: shampooing, cutting, styling or dyeing hair, manicures, pedicures, facials, massages, and the use of body toning equipment. Employees who serve the beer or wine must complete an LCB-approved limited alcohol server training program. Day spas must purchase a permit from LCB in order to serve a glass of beer or wine to customers without charge. The annual fee for the day spa permit is \$125.

Senior Center License. A new retail liquor license is created. Nonprofit organizations whose primary service is providing recreational and social activities for seniors on the licensed premises (senior centers) may qualify for a retail liquor license if they pay a \$720 annual license fee, provide limited food service, comply with regulations established by LCB and require servers to have a valid mandatory alcohol server permit. This license allows on-premises sale of spirits, beer, or wine by the glass for consumption on the premises.

Private Labels. Breweries and microbreweries are permitted to identify the producer of their beer on private labels authorized under current law. This is not considered to be advancing or receiving monies or monies worth.

Spirits Sampling in Contract Liquor Stores. WSLCB must allow spirits sampling in eligible former contract liquor stores for the purpose of promoting the sponsor's products.

WSLCB determines which former contract liquor stores are eligible, taking into account motor vehicle accident data near the store, and the proximity of the store to places of worship, schools, and public institutions. No store may hold more than one spirits sampling per week, and the product provided for sampling must be available for sale at the store. Only sponsors who have completed a mandatory alcohol server training program may serve samples of one-quarter ounce or less to persons 21 or over in an area off limits to persons under 21. Customers are limited to one ounce of samples per day, and must consume samples on store premises.

Grocery Store Beer and Wine Tasting. To obtain an endorsement to offer beer and wine tasting, at least 50 percent of the gross sales of the store must be from retail sales of grocery products for off-premise consumption, or the store must be a membership organization. The board may adjust the gross sales percentage at the discretion of the board.

Appropriation: None.

Fiscal Note: Available.

[OFM requested ten-year cost projection pursuant to I-960.]

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Original Bill: PRO: This will help former contract liquor stores compete against bigger retailers by allowing them to develop a niche market. This is a win-win for both consumers and producers.

CON: This legislation has normalizing effects on our youth and dilutes the message against drinking and driving.

OTHER: Would support an amendment that would correct tighthouse violations and be consistent with regulations for beer and wine tasting at grocery stores.

Persons Testifying: PRO: Senator Conway, prime sponsor; Senator Holmquist Newbry; Michael Transue, Contract Liquor Store Managers Advisory Committee; Dave Ducharme, Distilled Spirits Council of U.S.; Ally Magnano; Distillery Assn. Representatives of WA.

CON: Seth Dawson, WA Assn. for Substance Abuse Prevention.

OTHER: Rick Garza, WSLCB.