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## Government Accountability & Oversight Committee

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### HB 2154

**Brief Description:** Creating a liquor license for fairs.

**Sponsors:** Representatives Dahlquist, Hurst, S. Hunt, Buys and Haigh.

#### Brief Summary of Bill

- Creates a license allowing fairs to: (1) sell beer, wine, and spirits for on-premises consumption; (2) sell domestic beer and wine and craft spirits at retail for off-premises consumption; (3) sell growlers of beer for off-premises consumption; and (4) provide free sampling.
- Defines "fair" as a multiday event with various attractions, and defines "fair organization" as an organization holding at least one temporary fair annually, for a fee, and at a fixed and enclosed location.
- Requires that vendors selling beer, wine, or spirits at the fair be licensed by or have an endorsement from the Liquor Control Board (LCB).
- Provides for penalties on vendors for traceable violations and on the fair organization for untraceable violations.

**Hearing Date:** 1/27/14

**Staff:** David Rubenstein (786-7153).

#### **Background:**

##### Sports Entertainment Facility License.

The Liquor Control Board (LCB) licenses sales and retailing of beer, wine, and spirits. The LCB issues various kinds of licenses for the sale of alcoholic beverages, among them the sports entertainment facility license. The license is available to any publicly or privately owned arena, coliseum, stadium, or facility where sporting events are held and where food and beverage

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service is provided. The license allows the facility to sell beer, wine, and spirits at retail for consumption only at the facility. 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. By rule, the sports entertainment license allows beer and wine sales at amateur sporting events, entertainment events, and special events.

#### Fairs.

Currently, fairs wishing to serve alcohol must obtain a sports entertainment license from the LCB and are only permitted to sell beer and wine for on-premises in an closed-off area with limited access (beer gardens).

#### Tied House Laws.

Washington's "tied house" laws regulate the relationship between liquor manufacturers, distributors (industry members), and retailers. In general, tied house laws are meant to regulate how liquor is marketed and prevent the vertical integration of the three tiers of the liquor industry. The general rule is that no industry member may advance and no retailer may receive money or money's worth under an agreement or by means of any other business practice or arrangement. There are numerous exceptions to the tied house laws. One exception, for example, allows wineries to partner with retailers to create private label wines for restaurants and private clubs. The producers may be identified on the private labels.

#### **Summary of Bill:**

##### Fair License.

A fair license is created allowing the licensee (fair organization) at a fair to:

- sell beer, wine, and spirits for on-premises consumption (not limited to areas designated as temporary lounges, beer gardens, or club rooms where seating is provided);
- sell domestic beer and wine and craft spirits at retail for off-premises consumption, provided the relevant producer has an endorsement to sell for off-premises consumption;
- sell growlers of beer for off-premises consumption; and
- provide sampling of domestic or micro-brewed beer and wine and craft spirits either free or for a charge.

"Fair" is defined as a multiday event that includes agricultural exhibitions, live music, rodeos, amusement park rides, and vendors selling food, crafts and other products. "Fair organization" is defined as an organization holding at least one temporary fair each year that is open to the public, and requires a fee, ticket, or other consideration or permission for entrance. The fair must be held at a fixed location within an enclosed area, though the enclosed area need not be used exclusively for fairs.

In order to receive a license, must submit an operating plan for approval by the LCB containing, at a minimum: (1) how the fair organization will prevent sales of alcohol to people under 21 years old or who appear intoxicated; (2) the ratio of alcohol service and security staff to the expected number of patrons; (3) training provided to staff; (4) the number of alcoholic beverages to be sold to a given patron in one transaction; and (5) a list of events at which alcohol will be

served. Once approved, the plan remains in effect until the licensee requests a change, or the LCB determines that a change is necessary.

The cost of a license is \$2,500 per year.

The LCB is given authority to impose reasonable requirements on licensees, including restrictions on amounts and locations of sampling.

In addition to the service and sale of alcohol, a fair licensee may arrange with liquor manufacturers, importers, and distributors for advertising of alcoholic beverages at the fair, provided such advertising does not lead to unfair competitive practices by the participants in the contract. The LCB is required to monitor such arrangements, and may conduct audits of the licensee and affiliated businesses.

Vendors selling beer, wine, or spirits must be licensed to sell such beverages. If a vendor commits a violation, the LCB must impose penalties on that vendor but, if the LCB cannot determine the vendor responsible, it may impose penalties on the fair licensee.

Fair licensees wishing to continue using a sports entertainment facility or any other license may continue to do so.

#### Craft Distilleries.

Licensed craft distilleries may apply to the LCB for an endorsement permitting the sale at fairs of bottled spirits produced in Washington at retail for off-premises consumption. The annual fee for the endorsement is \$75.

Before the spirits are offered for sale at the fair, the craft distillery must provide the LCB with a list of dates, times, and locations at which spirits may be sold before they are offered at the fair. Additionally, the fair organization must apply to the LCB for authorization and include in the application: (1) a map of the fair showing the locations at which the craft distillery will sell bottled spirits; and (2) the name and contact information for the fair organization managers.

The LCB authorized to adopt rules establishing the application and approval process.

**Appropriation:** None.

**Fiscal Note:** Available.

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