

# HOUSE BILL REPORT

## HB 2154

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**As Reported by House Committee On:**  
Government Accountability & Oversight

**Title:** An act relating to creating a liquor license for fairs.

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

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

**Brief History:**

**Committee Activity:**

Government Accountability & Oversight: 1/27/14, 2/3/14 [DPS].

**Brief Summary of Substitute 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 an agricultural exhibition with a variety of exhibits of agricultural products and livestock, as well as related arts and manufactures.
- 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.

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### HOUSE COMMITTEE ON GOVERNMENT ACCOUNTABILITY & OVERSIGHT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Hurst, Chair; Wylie, Vice Chair; Condotta, Ranking Minority Member; Holy, Assistant Ranking Minority Member; Blake, Kirby, Moscoso, Shea and Vick.

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

**Background:**

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*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.*

### 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 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 a 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.

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## **Summary of Substitute 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, the fair organization 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 is authorized to adopt rules establishing the application and approval process.

#### **Substitute Bill Compared to Original Bill:**

Provisions allowing alcoholic beverages to be consumed throughout the fairgrounds are stricken.

"Fair" is redefined to mean "agricultural fair" already defined by statute to include agricultural and related exhibitions.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) The current sports and entertainment license is not a good fit for fairs. Currently, consumers can purchase alcohol and drink it throughout the premises at sports games, but not at fairs, which are usually designed to showcase Washington products. This bill makes the fair license similar to farmers' markets where producers can offer samples and retail sales. The license would also require a detailed operating plan and a fence with clear, regulated entry and exits. It is important to ensure that adults consume alcohol safely. The LCB has worked with the sponsor for a year to make this happen, but the bill may require modifications. The bill's definition of "fair" may be too narrow to encompass everyone.

Some fairs have seen a significant and steady increase in revenue when alcohol is served. Wine at fairs is also important, because it is a boon to Washington agriculture that should be promoted. It can be frustrating to promote Washington wines, but not be able to serve it or sell for off-premises consumption.

Experience shows that allowing consumers to carry open containers throughout the premises can diminish behavior problems and overconsumption. This bill would allow flexibility and options to fair organizers, similar to other events such as sporting events and boat shows.

(With concerns) There are problems with sales for both on-premises and off-premises consumption. Additional enforcement concerns lie in the concept of a fair as a licensee as an umbrella for vendors, which is unlike any other licensing structure for alcohol. There needs to be more accountability at the vendor level. Fairs are unlike sporting events and boat shows. The LCB would like to create a fair license that satisfies all parties, but this bill does not accomplish that.

(Opposed) This bill is not in the best interest of public safety. Fairs bring public safety challenges and other impacts to local communities. It would be nearly impossible to enforce underage drinking and overservice prohibitions, and wristbands are difficult to monitor in crowds exceeding 100,000 people. Alcohol can easily be transferred from person to person away from the point of sale. Some localities hosting fairs can only police the exterior and are forced to hire other public safety agencies to police the interior. This bill will increase the burden on local law enforcement and communities with increased assaults, medical conditions, and impaired driving.

Fairs have a family atmosphere, and allowing open consumption would contradict that. This bill is problematic because it sends a message to youth that alcohol is a normal part of everyday life and erodes the boundaries between alcohol and family. It would also be bad for people in recovery from substance abuse.

**Persons Testifying:** (In support) Ken Hojem, Jeff Hogan, and David Shodde, Washington State Fair; and Heather Hansen, Washington State Fairs Association.

(With concerns) Alan Rathbun, Washington State Liquor Control Board.

(Opposed) Bryan Jeter, Puyallup Police Department; Mitch Barker, Washington Association of Sheriffs and Police Chiefs; and Ramona Leber, Washington State Association for Violence Prevention.

**Persons Signed In To Testify But Not Testifying:** None.