

HOUSE BILL REPORT

HB 2517

As Passed Legislature

Title: An act relating to the issuance of penalties for a licensed alcohol manufacturer's ancillary activities.

Brief Description: Concerning penalties for alcohol manufacturers who have committed violations as part of its ancillary activities.

Sponsors: Representatives Stonier, Vick, Kirby and Jenkin.

Brief History:

Committee Activity:

Commerce & Gaming: 1/16/18, 1/22/18 [DP].

Floor Activity:

Passed House: 2/8/18, 98-0.

Passed Senate: 2/27/18, 48-0.

Passed Legislature.

Brief Summary of Bill

- Requires the Liquor and Cannabis Board (LCB) to adopt, by rule, a schedule of penalties applicable to a licensed alcohol manufacturer who has committed a regulatory violation as part of the licensee's "ancillary activities."
- Defines "ancillary activities" to mean activities by a licensee involving the public and relating to serving samples, operating a tasting room, conducting retail sales, serving alcohol under a restaurant license, or serving alcohol with a special occasion license.
- Establishes a schedule of penalties establishing the basic types of administrative penalties that the LCB may prescribe by rule for regulatory violations by licensed alcohol manufacturers.
- Establishes that the schedule of penalties may not include the suspension, revocation, or cancellation of an alcohol manufacturer's license.
- Establishes that the range and severity of the penalties that may be imposed on an alcohol manufacturer may not exceed those applicable to a retail licensee for a similar violation.

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.

HOUSE COMMITTEE ON COMMERCE & GAMING

Majority Report: Do pass. Signed by 9 members: Representatives Sawyer, Chair; Kloba, Vice Chair; Condotta, Ranking Minority Member; Vick, Assistant Ranking Minority Member; Blake, Jenkin, Kirby, Ryu and Young.

Staff: Thamas Osborn (786-7129).

Background:

Pursuant to statute, the Liquor and Cannabis Board (LCB) has sweeping authority to adopt the administrative rules necessary to implement and enforce the provisions of Title 66 RCW. The statutory provisions establishing the powers of the LCB include language that allows the LCB to impose penalties for violations of virtually any licensing or regulatory requirement, including regulatory violations relating to public sales and marketing activities by alcohol manufacturers. Generally, the specific nature of the administrative penalties that the LCB may impose for regulatory violations are not prescribed in statute.

Summary of Bill:

The LCB must, by administrative rule, adopt a schedule of penalties applicable to a licensed alcohol manufacturer who has committed a regulatory violation as part of the licensee's ancillary activities. "Ancillary activities" are defined to mean activities by a licensee involving the public and relating to serving samples, operating a tasting room, conducting retail sales, serving alcohol under a restaurant license, or serving alcohol with a special occasion license.

The schedule of penalties adopted by the LCB may include:

- the issuance of a monetary penalty;
- the suspension, revocation, or cancellation of the licensee's ability to conduct ancillary activities; or
- a monetary option in lieu of suspension or revocation.

The schedule of penalties may not include the suspension, revocation, or cancellation of an alcohol manufacturer's license. In addition, the range and severity of such penalties may not exceed those applicable to a retail licensee for a similar violation.

Appropriation: None.

Fiscal Note: Available.

Effective Date: 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 bill addresses the issue of inordinate penalties being imposed on liquor manufacturers for regulatory violations occurring during ancillary activities such as tasting

rooms, special events, farmers' markets, etc. Regulatory violations regarding such activities should not result in the suspension or revocation of the primary license of the manufacturer. The sanctions for regulatory violations occurring during ancillary activities should be proportional to the magnitude of the offense and should not include full suspension or revocation of a liquor manufacturing license. A winery can be hit especially hard if its license is suspended during the grape harvest, because this can result in the loss of an entire year's production of wine as well as existing inventory. And, the loss of an entire harvest and inventory can also adversely affect wine distributors. This bill addresses these issues and would ensure that administrative sanctions are both proportional and predictable, which will greatly benefit the liquor industry.

(Opposed) None.

(Other) The bill could provide a viable solution to the issues involved in imposing administrative sanctions for violations during ancillary activities. It makes sense to differentiate violations that occur as part of the manufacturing process from those that occur during ancillary activities. The LCB should be given wide latitude in developing the rules necessary to properly implement the provisions of the bill.

Persons Testifying: (In support) Representative Stonier, prime sponsor; Annie McGrath, Washington Brewers Guild; Josh McDonald, Washington Wine Institute; and Scott Hazlegrove, Washington Beer and Wine Distributors Association.

(Other) Justin Nordhorn, Liquor and Cannabis Board.

Persons Signed In To Testify But Not Testifying: None.