

SENATE BILL REPORT

E2SHB 1351

As Reported by Senate Committee On:
Commerce, Labor & Sports, March 22, 2017

Title: An act relating to authorizing, under one license, the sale of spirits, beer, and wine at retail for off-premises consumption.

Brief Description: Authorizing, under one license, the sale of spirits, beer, and wine at retail for off-premises consumption.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Sawyer, Vick, Springer, Barkis, Blake, Fitzgibbon and Haler).

Brief History: Passed House: 3/06/17, 98-0.

Committee Activity: Commerce, Labor & Sports: 3/15/17, 3/22/17 [DP].

Brief Summary of Bill

- Establishes a combination spirits, beer, and wine retail license that authorizes the sale of spirits, beer, and wine for off-premises consumption.

SENATE COMMITTEE ON COMMERCE, LABOR & SPORTS

Majority Report: Do pass.

Signed by Senators Baumgartner, Chair; Keiser, Ranking Minority Member; Conway, Hasegawa, King, Rossi, Saldaña and Wilson.

Staff: Jarrett Sacks (786-7448)

Background: The Liquor and Cannabis Board (LCB) issues a variety of retail licenses for the sale of liquor for both off and on premises consumption, examples include the following:

- grocery store licenses;
- beer and/or wine specialty shop licenses;
- restaurant and tavern licenses; and
- spirits retailer licenses.

In certain circumstances, LCB may impose conditions or restrictions on a license, or include special endorsements.

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.

Beer and/or Wine Specialty Shop License. A beer and/or wine specialty shop license authorizes a shop to sell beer, strong beer, and/or wine at retail for off-premises consumption. A beer and/or wine specialty shop must maintain a minimum of \$3,000 wholesale inventory of beer and/or wine. Licensees may provide single-serving samples of two ounces or less for the purposes of sales promotion. Licensees may obtain endorsements to:

- sell growlers;
- sell malt liquor in kegs or other large containers; or
- sell wine to on-premises wine retailers for resale.

The annual fee for a beer and/or wine specialty shop license is \$100.

Grocery Store License. A grocery store license allows a grocery store to sell beer, strong beer, and/or wine for off-premises consumption. A grocery store licensee may receive an endorsement to sell wine to on-premises wine retailers for resale at their licensed premises. Grocery store licensees must maintain a minimum \$3,000 inventory of food products. Grocery store licensees may obtain endorsements to:

- sell malt liquor in kegs or other large containers;
- sell wine to on-premises wine retailers for resale;
- sell confections containing alcohol—must also have a snack bar license;
- sell growlers;
- export beer or wine internationally; or
- host beer or wine tastings.

The annual fee for a grocery store license is \$150.

Spirits Retailer License. A spirits retailer license allows a licensee to sell spirits for off-premises consumption, to permit holders, and to on-premises liquor retailers for resale on their licensed premises. Licensees may also export spirits. LCB can only issue spirits retailer licenses for premises with greater than 10,000 square feet of fully-enclosed retail space within a single structure. Spirits retailer licensees may obtain an endorsement to allow limited spirit sampling if they participate in a responsible vendor program. The annual fee for a spirits retailer license is \$160.

Summary of Bill: A combination spirits, beer, and wine license is created that allows licensees to:

- sell beer, wine, and spirits at retail for off-premises consumption;
- sell spirits to on-premises liquor retailers for resale at their licensed premises; and
- export spirits.

A grocery store licensee or a beer and/or wine specialty shop licensee that holds a spirits retail license may—with LCB approval—transition to a combination spirits, beer, and wine license. Applicants that would qualify for a grocery store license or a beer and/or wine specialty shop license may apply for the combined license. The LCB may issue combined spirits, beer, and wine licenses for premises exceeding 10,000 square feet of fully-enclosed retail space within a single structure, for premises of a former contract liquor store, or to a holder of a former state liquor store operating rights sold at an auction. The annual fee for the combination spirits, beer, and wine license is \$316 for each store.

Combination spirits, beer, and wine licensees must maintain either:

- a minimum \$3,000 inventory of food products; or

- a minimum \$3,000 wholesale inventory of beer, strong beer, and/or wine.

Current laws that apply to spirits retailers with regard to accepting delivery, negotiating volume discounts, and payment of a license issuance fee also apply to combined spirits, beer, and wine licensees. LCB cannot issue a combined spirits, beer, and wine license if the applicant would qualify for a restricted license under current licensing laws.

If a licensee would otherwise qualify for a beer and/or wine specialty shop license or a grocery store license, the licensee may offer samples in accordance with the corresponding sampling laws. For example, if a combination spirits, beer, and wine licensee would otherwise have qualified for a grocery store license, the licensee may conduct sampling in accordance with the sampling laws for grocery stores.

Any endorsements available to a grocery store licensee or a specialty beer and/or wine shop licensee are available—upon approval from the LCB—to a holder of a combined spirits, beer, and wine license, so long as the licensee would have previously qualified for the endorsement. A combination spirits, beer, and wine licensee also holding a snack bar license may receive an endorsement to sell confections containing alcohol.

The maximum penalties prescribed by LCB are doubled for violations relating to the sale of spirits by a combination spirits, beer, and wine licensee, unless that licensee has joined a responsible vendor program.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: This bill streamlines the liquor licensing process and lets retailers get one license instead of having to get multiple licenses. The difference in fees between this bill and the Senate bill is to ensure the same amount of licensing fees were collected by the LCB.

Persons Testifying: PRO: Mark Johnson, Washington Retail Association; Holli Johnson, Washington Food Industry Assoc.

Persons Signed In To Testify But Not Testifying: No one.