

SENATE BILL REPORT

HB 2517

As Passed Senate, February 27, 2018

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: Passed House: 2/08/18, 98-0.

Committee Activity: Labor & Commerce: 2/21/18, 2/21/18 [DP].

Floor Activity:

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

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.

SENATE COMMITTEE ON LABOR & COMMERCE

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.

Majority Report: Do pass.

Signed by Senators Keiser, Chair; Hasegawa, Vice Chair; Braun, Conway, King, Kuderer, Saldaña and Wilson.

Staff: Richard Rodger (786-7461)

Background: LCB is authorized to adopt the administrative rules necessary to implement and enforce the provisions of Title 66 RCW. The LCB may impose penalties for violations of 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.

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: Washington is well known for our craft beer, distilleries and wineries. The purpose of this bill to ensure that a manufacturer's whole operation is not placed at risk for a violation that is related to an ancillary activity. There is an uncertainty caused by the current licensing structure, where a administrative or nonpublic activity could result in the suspension of a winery's entire operation during harvest. Some manufacturers have been weighing the risk of conducting public activities versus the risk it poses to their entire production activities. Wineries are involved in production, distribution, and retail activities. Technically, the LCB could suspend an business' entire operation for a violation relating to a retail activity.

OTHER: The LCB is not in opposition to the legislation and recognize the business sense of the bill. We want to make it understood that we would treat a violation of one ancillary activity as a violation of all the ancillary activities conducted by the manufacturer.

Persons Testifying: PRO: Representative Monica Jurado Stonier, Prime Sponsor; Annie McGrath, Washington Brewers Guild; Mike Stevens, Washington Wine Institute.

OTHER: Chris Thompson, Liquor and Cannabis Board.

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