

SENATE BILL REPORT

SB 5940

As Passed Senate, February 9, 2022

Title: An act relating to creating a license endorsement allowing domestic licensed alcohol manufacturers to provide contract packaging services to other alcohol manufacturing licensees within this state.

Brief Description: Creating a liquor license endorsement.

Sponsors: Senator King.

Brief History:

Committee Activity: Labor, Commerce & Tribal Affairs: 2/02/22, 2/02/22 [DP].

Floor Activity: Passed Senate: 2/9/22, 47-0.

Brief Summary of Bill

- Creates a new liquor manufacturer endorsement, which authorizes distilleries, wineries, and breweries to provide packaging services for other businesses holding those licenses.
- Allows manufacturers to contract with other non-liquor licensed businesses if the contract does not include alcohol products.
- Prohibits manufacturers from engaging in direct sales to retail liquor licensees and using cannabinoids in alcohol products.

SENATE COMMITTEE ON LABOR, COMMERCE & TRIBAL AFFAIRS

Majority Report: Do pass.

Signed by Senators Keiser, Chair; Conway, Vice Chair, Labor; Stanford, Vice Chair, Commerce & Tribal Affairs; King, Ranking Member; Braun, Rivers, Robinson and Saldaña.

Staff: Matt Shepard-Koningsor (786-7627)

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Background: Liquor Manufacturers. The Washington State Liquor Act defines "manufacturer" as a person engaged in the preparation of liquor for sale, in any form whatsoever. Liquor includes alcohol, spirits, wine, and beer, and certain combinations of such products. The Liquor and Cannabis Board (LCB) is authorized to issue a license to manufacturers of liquor to manufacture, import, sell, and export liquor from the state of Washington. This license is separate from the licenses issued to distillers, domestic brewers, microbreweries, wineries, and domestic wineries.

Endorsements. Endorsements are additions to a liquor license and change the normal circumstances under which alcohol may be sold and served. Each type of endorsement is subject to specific regulations, conditions, and fees. LCB offers a number of endorsements to liquor licensees. For example, there is an endorsement for catering, beer or wine tasting, and selling growlers.

Senate Bill 5909. In 2019, SB 5909 authorized certain licensed liquor manufacturers to contract with licensed liquor distillers, craft distillers, domestic brewers, microbreweries, wineries, and domestic wineries to provide the following packaging services:

- canning, bottling, and bagging alcoholic beverages;
- mixing products before packaging; and
- receiving and returning products to the originating liquor licensed businesses as part of the contract.

SB 5909 also authorized liquor manufacturers to contract with other non-liquor licensed businesses if the contract does not include alcohol products. Liquor manufacturers are prohibited from:

- contracting directly or indirectly with any retail liquor licensee for the sale of alcohol products, unless they are medicinal, culinary, or toilet preparations not usable as beverages;
- engaging in direct liquor sales to retail liquor licensees, except for the sale of specified alcohol products; and
- mixing or infusing cannabinoids into any products containing alcohol.

Licensed distillers, domestic brewers, microbreweries, wineries, and domestic wineries are not authorized to contract with other businesses holding those licenses to provide the packaging services granted in the bill.

Summary of Bill: LCB licensed liquor distillers, craft distillers, domestic brewers, microbreweries, wineries, and domestic wineries may obtain an endorsement from LCB, which allows the licensee to contract with other businesses holding those licenses to provide packaging services that include, but are not limited to:

- canning, bottling, and bagging alcoholic beverages;
- mixing products before packaging;
- repacking of finished products into mixed consumer packs or multi-packs; and
- receiving and returning products to the originating liquor licensed business, which

retains title and ownership of such products.

Licenses holding the endorsement may also contract with other non-liquor licensed businesses if the contract does not include alcohol products. Licensees may not:

- engage in direct liquor sales with any retail liquor licensee, except for the sale of specified products not usable as beverages; and
- may not mix or infuse cannabinoids into any products containing alcohol.

LCB must approve a written request for the endorsement for any authorized licensee in good standing at the time of request without additional review. The annual endorsement fee is \$100.

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 allows industry members to share canning and packaging equipment without changing license types or taking on substantial capital expenditures. This bill is great for small businesses in the state. This bill creates revenue for one business while allowing others to access expensive equipment. It allows Washington products to be kept in-state rather than being shipped out-of-state to be packaged and shipped back. This extends the work the Legislature did in 2019 with SB 5909. It allows breweries, distilleries, and wineries with excess capacity to provide packaging services for other businesses. LCB has a practice of not allowing multiple license types at one site, and this bill creates an endorsement rather than a new license type.

Persons Testifying: PRO: Senator Curtis King, Prime Sponsor; Justin Stiefel, Heritage Distilling Co; Colin Schilling, Schilling Cider; Jim Hedrick, Washington Distillers Guild.

Persons Signed In To Testify But Not Testifying: OTHER: Paul Magerl, Liquor and Cannabis Board - available for questions.