

**Liquor Control Board Tribal Advisory Council (TAC)**  
**Meeting Questions**  
**December 7, 2011**

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- Q. Will the risk inventory be identified on the Liquor Control Board (LCB) website?  
A. The risk inventory has been identified and is posted on the website.
- Q. What is the final date for Contract Liquor Stores (CLS) to make a business decision on whether or not they will remain in business?  
A. A final date has not been established for CLS to decide on their future business plans. This is not a binding decision. We are requesting this for planning purposes. Additional clarity of I-1183 elements are needed so that the contract stores can let LCB know if they plan to convert to a spirits retail license.
- Q. Do tribes have to obtain the same type of license that contract liquor stores will be issued?  
A. Yes, any business wanting to sell spirits will be required to obtain a spirits retail license. Tribes and CLS are grandfathered and granted an exception to the 10,000 ft<sup>2</sup> requirement.
- Q. What is the LCB enforcement protocols going to be and when will it begin?  
A. At this point we do not plan on changing any enforcement protocols from current practice. The LCB did not get any additional resources for enforcement with the initiative.
- Q. When will the new pricing model be available? Will product costs be higher or lower than they are now?  
A. Taxes on spirits remain in current law; fees are imposed on distributors and retailers. Retailers have the discretion to set price as long as it is not below cost. A price calculator is available on the LCB website.
- Q. What is the Liquor Control Board's plan in regards to auction of rights to state liquor stores and when will the plan be available?  
A. LCB's plan regarding the auction of rights to sell liquor at existing state liquor store locations will be developed and released in Q1 2012.
- Q. When will tribal stores be available to buy from private distributors? When does the new retail license become available?  
A. Tribal stores that have obtained a spirits retail license may begin purchasing spirits from newly licensed distributors beginning March 1, 2012. However, any such purchased product may not be sold until June 1, 2012, when the spirits retail license becomes effective.

- Q. Will current tribal liquor stores be grandfathered in? Will there be an exception to the 10,000 ft<sup>2</sup> requirement?
- A. For the purposes of I-1183 implementation, tribal stores are considered “contract” stores and thus benefit from the grandfathered provisions and are exempted from the 10,000 ft<sup>2</sup> requirement.
- Q. Has LCB’s authority changed since the passage of I-1183? When will this be resolved?
- A. The Board’s authority for enforcement and licensing is unchanged. The Board will no longer be in the distribution and retail alcohol business as of June 1, 2012, but retains all current authority for enforcement of the liquor laws and developing rules for new licenses created by the Initiative. Many of these changes do require rule making by the Board.
- Q. Does LCB have the authority to negotiate a tribal contract change? Can additional stores open before June 1, 2012?
- A. The LCB has the authority to amend existing tribal contracts through May 31, 2012. Tribes interested in discussing the potential of additional stores should contact Pat McLaughlin at [pdm@liq.wa.gov](mailto:pdm@liq.wa.gov) or Rick Garza at [rjg@liq.wa.gov](mailto:rjg@liq.wa.gov).
- Q. For tribes with a current LCB contract for additional locations, is this subject still open for discussion?
- A. Most tribes have different contracts. We suggest that each tribe interested in additional stores as specified in their contract contact Pat McLaughlin or Rick Garza.
- Q. When will all of the new license applications forms be available?
- A. The application process for new license types as well as endorsements created under Initiative 1183 remains unchanged. Tribes interested in one of these new licenses can apply through the “business license application” process on the Business License Service (DOR) website. We have updated our license description page to reflect the new license and endorsement types. Documentation required to complete the application will be forwarded after the interview with Licensing division staff.
- Q. Please clarify the three case limit on retail sales.
- A. Spirits retailer licensees may only sell a maximum of 24 liters on a single sale to an on premise retailer. Tribes and contract liquor stores who obtain the spirits retail license will not be subject to this limitation per the initiative.
- Q. What are the new hotel license changes?
- A. The hotel license was amended to allow spirits sales in the original container from the retail sale area of the hotel (they currently sell beer and wine from these areas for off-premises consumption). Hotels are also now allowed to give a complimentary bottle of spirits in the guest rooms as well as beer or wine.

- Q. Will pricing and volume controls on wine go away on December 8? Is LCB working with contract liquor stores to change pricing and discounts?
- A. Section 119 of I-1183 retains the prohibition on price discrimination between purchasers for resale in Washington, but does allow price differentials based on certain factors. This section of the Initiative contains no specific effective date, thus took effect on December 8, 2011. LCB contract stores will continue to sell under the existing price and discount structure through May 31, 2012. Beginning June 1, 2012, those stores who convert under the spirits retail license program will need to purchase any product they wish to sell and will be able to set their retail price.
- Q. Will the tax free allocation remain or will it become something new or be called something different?
- A. Those tribes who have an existing business agreement with the LCB will continue to receive a tax free allotment of liquor as prescribed in their agreement through May 31, 2012. Beginning in June 2012, the Department of Revenue will assume administration of this process. They are currently developing the new mechanism and will work directly with the Tribes for the transition into the new system.
- Q. Will the distributors list be available on the LCB website?
- A. Yes. Currently license applicants and recipients information is posted on the LCB web site.
- Q. What is the Board's position on a cooperative distributor? How is this different from central warehousing? Is there still an option for cooperative warehouses?
- A. The Board released new rules for central warehousing developed under the emergency rule making process. These will remain in force until replaced with permanent rules or 120 days, whichever comes first. We are currently working through some issues raised by stakeholders regarding cooperative purchasing.
- Q. I desire to establish a co-operative where local restaurants and cocktail lounge owners form an association to meet their liquor needs, as well as provide a cost-effective manner in that activity. Would this co-operative under what I'm reading under RCW as well as the I-1183 be allowable?
- A: Under WAC 314-12-027 there may be ownership between the tiers as long as it is under a different entity, such as a retailer that wants to become a distributor may do so but only under a different legal entity than their retail license. A group of restaurants could form a cooperative but the cooperative could not purchase spirits without a spirits distributor license. The cooperative could obtain a spirits distributor license and distribute to the members of the cooperative. The cooperative would be a different legal entity than any one of the retail licenses.

- Q. Some tribal stores are currently over-ordering due to concern of out of stock during the transition, what is LCBs contingency plan to ensure adequate product supply?
- A. There are no system issues that require tribal stores to build up inventory. The distribution center continues to operate very smoothly and is achieving consistently high store order fill rates. We will use overtime and new hires as necessary to maintain operational capacity throughout the duration of our shipping plan. A tested contingency plan is in place in the event of system or resource constraints. No product supply issues are anticipated unless they are by design as part of a separate inventory management program. This could include suppliers who elect to remove product from the marketplace or who do not sign a buyback agreement. In the event of any planned product availability limitations, such will be communicated to all stores and licensees.