

OFFICE OF THE WASHINGTON STATE LIQUOR CONTROL BOARD MEETING

March 2, 2004

The regular meeting of the Washington State Liquor Control Board was called to order at 10:00 a.m., on Tuesday, March 2, 2004 in the Board conference room, 3000 Pacific Avenue S.E., Olympia, Washington, by Board Member Roger Hoen. Board Member Vera Ing was present. Tony Kim, Administrative Assistant to the Board summarized the minutes.

RETAIL SERVICES DIVISION: 10:00 – 10:20 A.M.

Staff Present: Jeff Berger; District Manager, Chris Liu; Retail Services Director, Pat Kohler; Administrative Director, Rick Garza; Deputy Administrative Director, Bob Burdick; Communications Director.

Topics Discussed:

Mr. Berger recommended the appointment of Teresa Allebaugh as the new Contract Liquor Store Manager for the McCleary Contract Store #562, effective March 8, 2004. Mr. Berger shared that seven applicants were interviewed by a panel and after the interviews were conducted, the panel selected Teresa Allebaugh. After some discussion the Board asked Mr. Berger to bring his request to tomorrow's board meeting for formal action.

PURCHASING SERVICES DIVISION: 10:20 – 10:35 A.M.

Staff Present: Gary Thompson, Purchasing Services Deputy Director

Pat Kohler, Administrative Director; Rick Garza; Deputy Administrative Director

Topics Discussed:

Mr. Thompson the following information with the Board.

- 1) Why do suppliers say they reduce proof?
 - "Lower proof has better taste profile" or "consumers are not concerned with proof only brand."
 - "Production or ingredient costs have increased and lowering proof is a way of

maintain price points and margins."

2) What do Suppliers gain from proof reduction?

- Federal Excise Tax (FET) is \$13.50 per 100 proof gallon.
- On a 9-liter case of 100 proof, 750ml spirits (12 x 750ml), the FET is 2.38125 gallons x \$13.50 or #32.15 per case.
- On the same case at 80 proof the FET is 2.38125 gallons x 13.50 x 80% or \$25.72 or \$6.43 per case less than the 100 proof.

Mr. Thompson also shared that in the last two years there were 16 brands (27 SKU's including additional size) with proof reductions.

POLICY, LEGISLATIVE AND MEDIA RELATIONS DIVISION: 10:35 – 11:00 A.M.

Staff Present: Pat Kohler, Administrative Director; Rick Garza, Deputy Administrative Director; Teresa Berntsen, Rules Coordinator

Topics Discussed:

Ms. Berntsen requested Board approval to proceed with final rule making at the request of a petition from the Washington Wine Institute and Pam Zyck, owner of the Washington Wine Warehouse, a wine specialty shop. The petitioners asked the Board to amend WAC 314-02-105 to eliminate the restriction that the eight-ounce per person sample limit for wine specialty shops not be limited to four individual samples. After some discussion, the Board asked her to come to next board meeting for official approval to proceed.

The meeting was adjourned at 11:00 A.M.