

# Liquor Control Board Legislative Update

April 9, 2007

Rick Garza, Deputy Administrative Director  
PO Box 43080, Olympia WA 98504-3080  
360-664-1650 • [rjg@liq.wa.gov](mailto:rjg@liq.wa.gov)

## What's Happening?

### Committee action completed – Bills await floor action

Another deadline is looming for final action on bills from the opposite house. By Friday, April 13, 2007, all bills must have passed both the Senate and the House to continue moving toward adoption. Once bills pass both houses without amendment, they move on to the Governor's office for approval or rejection (veto). Bills that have been amended in the opposite house must be agreed upon by both houses before they can move on to the Governor's Office.

The session is schedule to end April 22. This update provides you with a review of the Liquor Control Board's agency request legislation and other bills that impact the agency and indicates the current status of each bill.

**Please feel free to contact me directly if you have any questions or concerns.** If you would like more information about the legislative process, the Legislature's web site has a good explanation: <http://www.leg.wa.gov/WorkingwithLeg/overview.htm>.

### **Bills at a glance:**

<b>Key</b>	
SB =	Senate Bill. A bill introduced in the Senate.
HB =	House Bill. A bill introduced in the House.
SSB or SHB =	An "S" before a House Bill or a Senate Bill indicates a Substitute Bill. This means the bill was amended from the original version.
2SSB or 2SHB =	A "2" indicates a second substitute. This means the bill was amended by a second committee typically a fiscal committee.
ESB or EHB =	An "E" indicates an engrossed bill. This means the bill was amended on the floor of the chamber before it passed out of the house of origin.

**Bills that are still alive after 5th Cutoff (April 2nd):**

Bill #	Description	Status
SB 5551	Tobacco Tax Enforcement – LCB Request Legislation	H 2 <sup>nd</sup> Reading
E2SSB 5859	Retail Liquor License– LCB Request Legislation	Passed both Houses
ESHB 1047	Alcohol in food and candy	S Rules
SHB 1338	Beer commission	S Rules
HB 1349	Kegs to Go	Passed both Houses
SHB 1975	SB&W License (storing alcohol in other locations)	S Rules
EHB 2113	Issuance of liquor licenses (objections)	Passed both Houses
HB 2240	Beer & Wine personal services to retailers (Tied House)	S 2 <sup>nd</sup> Reading
SB 5011	Beer/wine distribution bill – removes expiration date	Delivered to the Gov.
SSB 5639	Microbreweries/catering endorsement	Passed both Houses
SSB 5721	Sports/entertainment – Tied House	Passed both Houses
SSB 5898	Shipment of wine – common carrier	Delivered to the Gov.
SB 5902	Expands State-Store Liquor sales on Sunday	H Appropriations
HB 1674	Cigarette tax contracts (Spokane Tribe)	S 2 <sup>nd</sup> Reading

**Liquor Control Board  
Agency Request Legislation**

**Tobacco Tax Enforcement (SB 5551)**

**Status: House 2<sup>nd</sup> Reading (awaiting floor action)**

Adds authority to inspect books and records of common carriers to the enforcement of cigarette tax law making it consistent with other tobacco products; adds authority to inspect books and records of vehicle rental agencies used to transport cigarettes and other tobacco products; and adds authority to issue subpoenas to compel the production of books and records during investigation of activity under liquor and tobacco tax laws. The House Commerce & Labor Committee added amendments that provide an exemption from the tax on tobacco products sold to military and federally-recognize Indian tribes. They would also provide a business and occupation (B&O) tax exemption to licensed cigarette wholesalers and retailers for their services in affixing cigarette tax stamps. SB 5551 passed the Senate (48-0); was amended by the House Commerce & Labor Committee; passed out of House Finance Committee as amended; and is now on the House floor awaiting action.

## **Retail Liquor License (E2SSB 5859)**

**Status:** Passed both Houses

**LCB position on amended bill:** Support

The engrossed second substitute bill has several components:

**Total Number of Spirits, Beer, and Wine Restaurant Licenses:** The total number of spirits, beer, and wine restaurant licenses allowed in the state is increased from one for every 1,450 persons to one for every 1,300 persons in the state.

**Summary Suspension of Liquor Licenses:** Liquor businesses may be closed by the LCB if emergency conditions of public safety exist pending legal action for up to 180 days. This bill allows an administrative law judge to extend the closure for up to one calendar year if the actions of the licensee business prevent the proceedings from being completed.

**Storing Alcohol on Another's Premises:** A restaurant may use its alcohol inventory to cater events that are held at locations other than the restaurant using a caterer's endorsement to its liquor license. This bill allows the restaurant to store alcohol at the event location under certain circumstances that include an on-going catering arrangement.

**Microbrewery/Brewery Second Location/Catering:** A microbrewery or a brewery that has an on-site restaurant may have a second retail restaurant license at an off-site location. The tied-house is amended to allow a second location off-site. Breweries are specifically authorized to hold a retail license along with their brewery license including the restaurant license's catering endorsement. (Microbreweries have similar provisions in SSB 5639.)

**Society or Organization:** A wine industry trade association made up of wine manufacturers may hold a retail liquor license to sell liquor at an event. This creates an exception to the tied-house law which prohibits a manufacturer from holding a retail liquor license.

**Hotel Liquor License:** A new retail liquor license is established for hotel operations effective July 1, 2008. Currently, hotels serve alcohol to their guests typically under a restaurant license. Hotels are leasing their main restaurant facility to restaurant chains but still want to provide alcohol service to guests and to events held at the hotel. The new hotel license recognizes that hotel operations are a separate business model from a restaurant and can be more easily regulated by a license that reflects its unique business functions. They will not have to rely on restaurant operations to provide the basis for alcohol service.

The Senate passed E2SSB 5859 (45-3) and sent it to the House Commerce & Labor Committee. The bill was amended and passed the House as amended 97-0. The differences between the Senate version and the House version must be resolved and agreed upon before the end of the session.

## **Liquor Related Legislation**

### **Alcohol In Food And Candy (ESHB 1047)**

**Status:** Senate Rules Committee

**LCB Position on Bill:** Opposed to Original Bill – LCB Recommended Changes Adopted

The original legislation, which was opposed by the Board, would have deregulated these products and allowed them to be sold anywhere in the State. The changes the Liquor Control Board suggested, keep these products regulated and licensed by the State. A grocery store licensed by the Liquor Control Board (Board) with a snack bar license may receive an endorsement from the Board to sell confections containing more than 1 percent but not more than 10 percent alcohol by

weight to persons 21 or older. "Confection" is defined as a preparation of sugar, honey, or other natural or artificial sweeteners in combination with chocolate, fruits, nuts, dairy products, or flavorings, in the form of bars, drops, or pieces. The adulterated food provisions are modified to exclude confections sold under the endorsement. ESHB 1047 was passed out of the House 97-0; was heard in the Senate Labor & Commerce Committee; and is now in the Senate Rules Committee.

### **Washington Beer Commission (SHB 1338)**

**Status: Senate Rules Committee**

**LCB Position on Bill: Neutral – LCB Recommended 2-year Sunset was Adopted**

This bill allows the Beer Commission to receive gifts, grants, or endowments from public or private sources for commission purposes. The substitute bill includes a two-year expiration date (July 1, 2009). The bill passed out of the House 89-0; was heard in the Senate Agricultural & Rural Development Committee; and is now in the Senate Rules Committee.

### **Sale of Alcoholic Beverages (HB 1349)**

**Status: Passed both Houses**

**LCB Position on Bill: Neutral**

This bill allows spirits, beer, and wine restaurant licensees to sell kegs to go. The bill passed out of the House 97-0, and passed out of the Senate 47-0. The bill now moves on to the Governor's Office.

### **Alcohol Storage for Caterers (SHB 1975)**

**Status: Senate Rules Committee**

**LCB Position on Bill: Neutral – LCB Recommended Changes Adopted**

Allows a SBW restaurant licensee or a beer and/or wine licensee with a caterer's endorsement to store alcohol on the unlicensed premises of another if: a) there is a written agreement between the licensee and another party for on-going catering services, and b) the agreement contains no exclusive terms regarding the alcohol to be served, and c) the agreement is filed with the Board; or the premises are owned or leased and operated by the licensee; or the premises are those of a domestic winery or passenger vessel with a liquor license. Clarifications were made in the substitute bill as recommended by the LCB. SHB 1975 passed out of the House 93-0; was heard in the Senate Labor & Commerce Committee; and is now in the Senate Rules Committee.

### **Local Government Objections to Issuance of Liquor Licenses (EHB 2113)**

**Status: Passed both Houses**

**LCB Position on Bill: Opposed Original Bill – LCB Supported Changes**

The Board's authority to issue liquor licenses when local jurisdictions object is modified. In determining whether to grant or deny a license or renewal of any license, the board shall give substantial weight to objections from an incorporated city or town or county legislative authority based upon chronic illegal activity. "Chronic illegal activity" means (a) a pervasive pattern of activity that threatens the public health, safety, and welfare of the city, town, or county including but not limited to, open container violations, assaults, disturbances, disorderly conduct, or other criminal law violations, or as documented in crime statistics, police reports, emergency medical response data, calls for services, field data, or similar records of a law enforcement agency for the city, town, or county. The LCB worked closely with the City of Olympia and the Association of Washington Cities on this compromise that provides the LCB and local jurisdictions additional tools to address problem liquor licensees. EHB 2113 passed out of the House 95-1 and was referred to

the Senate Labor & Commerce Committee. The bill passed out of committee with an amendment and passed the Senate as amended 47-0. The differences between the Senate version and the House version must be resolved and agreed upon before the end of the session.

**Wine Retailers – Tied House Exceptions (HB 2240)**

**Status: Senate 2<sup>nd</sup> Reading (awaiting floor action)**

**LCB Position on Bill: Concerns – Recommended Changes**

Removes from tied house restrictions “personal services” performed by wineries including COA holders when these services are conducted at a licensed retail premises and are intended to inform, educate, or enhance the customers’ knowledge or experience of the manufacturer’s and (COA’s) product; and allows retailer and manufacturer listings and links on each others websites. “Personal services” may include bottle signings, pouring at events, and similar activities. Retailers may not require performance of personal services as a condition for selling alcohol to the retail licensee. This bill also allows wineries, breweries, and retailers to list information about each other on their individual web sites. Testimony in the Senate committee reflected that additional clarifying changes will be made to this bill. HB 2240 passed out of the House 96-0; was heard in the Senate Labor & Commerce Committee and passed with an amendment; and is now on the Senate floor awaiting action.

**Beer/Wine Distribution Bill (SB 5011)**

**Status: Delivered to the Governor**

**LCB Position on Bill: Neutral**

Removes the expiration date from the self-distribution of beer and wine by suppliers to Washington liquor retailers provisions adopted in 2006. SB 5011 passed out of the Senate 46-0, and passed out of the House 91-3. The bill has been delivered to Governor.

**Microbreweries Catering Endorsement (SSB 5639)**

**Status: Passed both Houses**

**LCB Position on Bill: Concerns - Recommended Changes**

Allows a microbrewery holding either a spirits, beer, and wine restaurant license or a beer and/or wine restaurant license to also receive a caterer’s endorsement with either license. The substitute bill language amends the Tied House statute to allow an exception for a microbrewery (manufacturer) to also hold a retail license. SSB 5639 passed out of the Senate 48-0, and passed out of the House 94-0. The bill now moves on to the Governor’s Office

**Sports/Entertainment Financial Arrangements (SSB 5721)**

**Status: Passed both Houses**

**LCB Position on Bill: Neutral with concerns**

Creates an exception to the tied house statute allowing a manufacturer, importer or distributor to enter into an arrangement with a sport/entertainment facility licensee or affiliated business for brand advertising at the facility; allows manufacturer, importer or distributor to promote events held at the facility; prohibits the use of these arrangements for inducing the purchase of the manufacturer, importer or distributor’s products and for excluding the brands or products of others. LCB will monitor the impacts of allowing this activity and will report to the legislative committees biennially beginning December 30, 2008. SSB 5721 passed out of the Senate 46-0; and passed out of House Commerce & Labor Committee with an amendment. The bill passed the House as amended 72-25. The differences between the Senate version and the House version must be resolved and agreed upon before the end of the session.

**Common Carrier for Wine (SSB 5898)**

**Status: Delivered to the Governor**

**LCB Position on Bill: Neutral**

Allows in-state and out-of-state wineries to use common carriers for shipping their own products directly to retailers. The substitute bill provides a limit of 100 cases of wine per month which can be shipped to retailers by a producer. SSB 5898 passed the Senate 45-1, and passed out of the House 94-0. The bill has been delivered to Governor.

**Sunday Sales (SB 5902)**

**Status: House Appropriations Committee**

**LCB Position on Bill: Neutral**

Expands Sunday sales to an additional 29 stores by September 1, 2007; directs \$1.95 million from the distribution to the state general fund from liquor revenue to the newly created public benefit and research services account. The new account is used for language interpreter services through the Administrator of the Courts and research services for ports and special purpose districts through the municipal council. SB 5902 passed out of the Senate 34 -12; passed out of the House Commerce & Labor Committee on March 27, and is now in the House Appropriations Committee.

NOTE: It is likely the proposal to expand Sunday sales will be added as a proviso in the 2007-09 Operating Budget—rather than by this legislation.

**Tobacco Related Legislation**

**Cigarette Tax Contracts (HB 1674)**

**Status: Senate 2<sup>nd</sup> Reading**

**LCB Position on Bill: Support**

Adds the Spokane Tribe to those Tribes with whom the Governor is authorized to contract for cigarette tax implementation. A Senate amendment to the bill adds the Hoh Tribe to the list of federally recognized tribes with whom the Governor may contract. HB 1674 passed the House 96-0. HB 1674 was amended in the Senate Ways & Means Committee and then referred to the Senate Rules Committee, and was sent to the Senate floor for action.

**Liquor Related & Other LCB Related Legislation  
Did not Make March 30 Cutoff**

**Sale of Alcohol on Ferries (HB 1175)**

**Status: Died in Committee**

**LCB Position on Bill: Neutral**

Makes it unlawful to sell or consume alcohol on state ferries. No hearing was scheduled in Transportation Committee.

**Alcohol Vaporizing Device (SHB 1215)**

**Status: Senate Labor & Commerce Committee**

**LCB Position on Bill: Support**

Prohibits sale, use, purchase, offer to sell or use an alcohol vaporizing device; Makes it punishable under state liquor law penalties; defines device as one that mixes liquor or other alcohol product with oxygen or other gas to produce an inhaling mist. The substitute bill defined alcohol vaporizing

device as a “mechanical or electrical apparatus.” The substitute bill passed out of the House 98-0 and was heard in the Senate Labor & Commerce Committee on March 15. The bill did not pass out of committee.

**Liquor Enforcement Officers (HB 1519)**

**Status: Died in Committee**

**LCB Position on Bill: Opposed**

Authorizes a liquor enforcement officer who has completed the basic law enforcement course through the Criminal Justice Training Commissioner (CJTC) to enforce all criminal laws for violations that occur in their presence and while acting within the scope of the officers’ duties. The Board opposed this legislation because LCB supports creating a special academy at CJTC for our liquor officers. The Governor’s proposed budget currently has funding to create a special training. The bill did not pass out of House Public Safety and Emergency Preparedness Committee.

**LCB Enforcement Officers -- CJTC (HB 1521)**

**Status: Died in Committee**

**LCB Position on Bill: No Position**

Requires all newly hired enforcement officers (except those who have already received training) to receive basic law enforcement training through CJTC within 12 months of hiring; officers hired prior to date of the act have the option to receive this training; CJTC must provide the training and expenses of attending and the Board must allow officers the opportunity to participate. This bill creates the Class C felony of assaulting a liquor enforcement agent while they are performing their duties. The bill did not pass out of House Public Safety and Emergency Preparedness Committee.

**Beer and Wine Underage Employees (HB 1594)**

**Status: Died in Committee**

**LCB Position on Bill: No Position**

Allows underage employees (18-21) of non-retail employers (wholesalers) to stock shelves and otherwise handle beer and wine at the retail establishment; a retail employee over 21 must be present at the retail premises; underage employees may not transport, possess, or handle product off site; the non-retail employer is responsible for violations by underage employees at the retail premises. No hearing was scheduled in House Commerce & Labor Committee.

**Furnishing Liquor To Minors (HB 1819)**

**Status: Died in Committee (Public hearing being held after cut-off)**

**LCB Position on Bill: No position**

The Court must notify the Department of Licensing (DOL) within 24 hours of a conviction for furnishing liquor to minors; DOL must suspend the person’s driver’s license for a specified period of time that increases with subsequent offenses; makes a violation of furnishing liquor to minors subject to the habitual offender statute and penalties. No hearing was scheduled in House Transportation Committee prior to the March 5<sup>th</sup> committee cut-off. The bill was heard in Committee on March 15.

**Grocery Store Tasting Pilot (HB 2076 / SB 5751)**

**Status: Died on House floor/Died on Senate floor**

**LCB Position on Bill: Neutral**

Authorizes a 1 year pilot project for beer and wine tasting in grocery stores; 30 locations must be selected by the Board equally representing independent grocers and national chain grocery stores;

each location shall hold at least 6 but not more than 12 tastings per year; participating stores must be at least 9000 square feet in size; no cost of the tastings may be born by the manufacturer, importer, or distributor; tastings are limited to individual servings of 2 ounces or less with a maximum limit of 4 ounces per individual; tasting area must be within the enclosed area of the store and designed in a way to prevent service to minors or intoxicated persons; employees of the licenses must complete Board approved limited server training focused on tasting activity; pilot results must be reported to the legislature by December 1, 2008 on activity conducted between October 1, 2007 and September 30, 2008. HB 2076 was heard and approved in the House Commerce & Labor Committee and in the House Rules Committee. It died on the House Floor. SB 5751 was heard and approved in the Senate Labor & Commerce Committee and in the Senate Rules Committee. It died on the Senate Floor.

### **Liquor License Sales Data (NABCA) (HB 2120)**

**Status: Died in Committee**

**LCB Position on Bill: Neutral**

Allows sales data for purchases of liquor made by retail licensees from state liquor stores and contract liquor stores to be provided to NABCA and used by its members for commercial purposes. No hearing was scheduled in House Commerce & Labor Committee.

### **Beer and Wine Warehousing (HB 2234 / SB 6033)**

**Status: Died in Committees**

**LCB Position: Opposed**

Allows an independent grocery store to receive and distribute from a primary grocery store warehouse. The independent grocery store owns the product until it is sold to the consumer. LCB determines when the bill becomes effective based on court decisions in the Costco lawsuit. Although, HB 2234 was heard in House Commerce & Labor Committee and SB 6033 was heard in Senate Labor & Commerce Committee, neither bill passed out of their original committees.

### **Dogs in Bars (SSB 5484)**

**Status: Died in the Senate Rules Committee**

**LCB Position on Bill: Opposed**

Gives a spirits, beer, and wine restaurant, a beer and/or wine restaurant, or tavern licensees the discretion to allow well-behaved dogs in their establishments; the Board would have to adopt rules to implement this legislation. The substitute bill tasks the Department of Health with establishing a pilot project to allow local governments to get exemptions from food and drug regulations to allow dogs in designated outdoor areas of restaurants serving alcohol and coffee shops. SSB 5484 passed out of the Senate Labor and Commerce Committee and died in the Senate Rules Committee.

### **Local Liquor License Cap (SB 5993)**

**Status: Died in Committee**

**LCB Position: No position**

No retail liquor license may be issued: 1) within a city with a population under 20,000, or 2) within a ½ mile radius of a public school if existing licenses exceed 1/500 population unless approved by local government for licenses within a city or the school board for licenses close to a school. The bill was not scheduled for hearing.