

Topic:Petition for Adoption, Amendment, or Repeal of a StateAdministrative Rule – Liquor manufacturer and retailer service
and sale at public events.

Date: January 29, 2025

Presented by: Denise Laflamme, Policy and Rules Coordinator

Background

On December 10, 2024, Lina Ciampi, owner of Cup of Swords LLC in Olympia, Washington, submitted a petition for rulemaking to allow wineries, breweries, and distilleries to sample, serve and sell bottles of their products at public events.

In the rule petition requesting rulemaking, Lina Ciampi stated:

INFORMATION ON RULE PETITION

Agency responsible for adopting or administering the rule:			Liquor and Cannabis Board					
☑ 1. NEW RULE - I am requesting the agency to adopt a new rule.								
igarpropto The subject (or purpose) of th			neries, breweries, distilleries, and alcohol retailers to sell spirits, dual servings on-premise consumption and unopened off premise					
\boxtimes The rule is needed because:	To help small businesses promote their products and generate income in a way that supports the community and promotes commerce in a safe and welcoming setting.							
☑ The new rule would affect the	e following	people or group	Community and special events, local alcohol retailers and manufacturers including wineries, breweries, and distilleries. S:					

A follow-up email from the petitioner on December 12, 2024, provided more complete information about the request as the petition form appeared to cut off some information:

I apologize that the text on the form was cut off. The subject (or purpose) of this rule:

To provide a license for wineries, breweries, distilleries, and alcohol retailers to sell spirits, beer, and wine by individual servings for on-premise consumption and for the sale of unopened containers for off-premise consumption at public events.

Please let me know if you need me to clarify more or if you need anything else from me. Thank you for all of your help.

<u>Issue</u>

Whether the Board should initiate rulemaking to create a new license or license endorsement to allow wineries, breweries, distilleries, and alcohol retailers to sell and serve bottles of their products at public events.

Statutes & Regulations

Statutes

<u>RCW 66.08.030</u> describes the scope of LCB's regulations, including (3) prescribing forms to be used for purposes of this title or the regulations, and the terms and conditions to be contained in permits and licenses issued under this title, and the qualification for receiving a permit or license issued under this title, and (12) Prescribing the conditions, accommodations, and qualifications requisite for the obtaining of licenses to sell beer, wines, and spirits, and regulating the sale of beer, wines, and spirits thereunder.

RCW 66.20.010 describes special permits to be issued by the LCB, including:

(3) Special permits to consume liquor at a banquet, at a specified date and place.

(13) Special permits for distilleries and craft distilleries for private banquet permits to be held at a specific place including at the licensed premise of the applying distillery or craft distillery at a specific date for tasting and selling spirits of its own production.

(14) Special permits for wine manufacturers for an event not open to the general public held at a specific place and date for the purpose of tasting and selling wine of its own production.

(15) Special permits by a manufacturer of beer for an event not open to the general public to be held at a specific place on a specific date for the purpose of tasting and selling beer of its own production.

RCW 66.24.010 describes conditions and restrictions for issuing liquor licenses.

<u>RCW 66.24.146</u> describes tasting room licenses for distillery and craft distillery licensees authorizing the operation of an off-site tasting room.

<u>RCW 66.24.175</u> describes a license endorsement allowing sampling of wine and beer at qualifying farmers markets.

<u>RCW 66.24.246</u> describes a license endorsement for on-premises service for wineries selling beer and breweries selling wine.

RCW 66.24.363 describes a beer and wine tasting endorsement in grocery stores.

<u>RCW 66.24.380</u> describes a special occasion license for a non-profit organization to sell spirits, beer, and wine by individual servings for on-premises consumption and to auction alcohol at a specified event, at a specified date and place.

RCW 66.24.655 describes a spirits, beer and wine theater license.

Regulations

<u>Chapter 314-05 WAC</u> describes <u>special occasion licenses</u>, which must comply with applicable retail liquor license requirements. This license allows a nonprofit organization to sell spirits, beer, and wine by individual serving and wine by the bottle for on-premises consumption, and unopened containers for off-premises consumption. Event must be held at a specified date, time, and place. Examples include fundraising dinners, gala events, and auctions.

<u>Chapter 314-18 WAC</u> describes banquet permits available to individuals or representatives of a society, organization or business entity, for service and consumption of liquor at a specific place and date. Retail licensees are not eligible for banquet permits, except under limited circumstances.

<u>Chapter 314-38 WAC</u> describes liquor permits, including alcohol raffle permits, day spa permits, special winery, distillery and brewery permits, and nonprofit private wine auction permits.

<u>WAC 314-38-095</u> (brewery) describes a special brewery permit authorized by RCW 66.20.010(15) that allows a manufacturer of beer to be present at a private event not open to the general public at a specific place and date for the purpose of tasting beer and selling beer of its own production for on-premises and off-premises consumption.

<u>WAC 314-38-080</u> (winery) describes a special permit authorized by RCW 66.20.010(14) that allows a manufacturer of wine to be present at a private event not open to the general public at a specific place and date for the purpose of tasting wine and selling wine of its own production for on-premises and off-premises consumption.

<u>WAC 314-38-090</u> (distillery) describes a special distillery permit authorized by RCW 66.20.010(13) that allows a manufacturer of spirits to be present at a private event not open to the general public at a specified place and date for tasting of spirits and sell spirits of its own production for on-premises and off-premises consumption.

<u>LCB Spirits, Beer and Wine Public Tasting Guide</u> provides more information about the types and requirements for holding alcohol tastings.

<u>Analysis</u>

LCB is authorized to issue special permits and liquor licenses and endorsements in statute including under chapters 66.20 RCW and 66.24 RCW. LCB issues a variety of alcohol <u>special permits</u> to both businesses and the public. Breweries, wineries and distilleries may apply for a special permit to provide tastings, and sell their products for on-premises and off-premises consumption at private events not open to the general public. Non-profit organizations may apply for a <u>special occasion license</u> to sell spirits, beer, and wine by individual servings for on-premises consumption at a specified event. This may include selling spirits, beer, and wine in original, unopened containers for off-

premises consumption. During fiscal year 2024 (July 1, 2023 - June 30, 2024), the LCB issued 3,607 special occasion licenses to non-profit organizations.¹

None of the existing licenses or permits address alcohol manufacturers or licensed retailers providing samples or serving for on-premises consumption, and selling containers for off-premises consumption, at events open to the public. This type of activity is restricted to non-profit organizations at a pre-scheduled event or under special permits for breweries, wineries, and distilleries but only for private events.

Recently proposed legislation to create new licenses or permits for samples and sales in public settings have not passed. This includes:

- HB 2363 (2024) proposed amending chapter 66.24 RCW to add a new section creating a new license endorsement similar to private events, but in public settings. It would have authorized off-site and pop-up retail sales, service, and consumption of beer and wine for on-premises and off-premises consumption, allowing licensees to sell additional products under their licensed privileges.
- <u>HB 2274 (2018)</u> proposed amending <u>RCW 66.20.010</u> to create a special permit for alcohol samples and sales by alcohol manufacturers that removed restrictions requiring these events not be open to the general public.

The Board denied a petition in December 2023 to create a beer to-go endorsement for restaurants because the requested privilege, and requested change, was not authorized in statute.

Historically, LCB has not created liquor licenses, license endorsements, or permits in rule without legislative action and statutory changes. Additionally, LCB has denied petitions that have requested rulemaking to create new endorsements without legislative action.

Divisional Coordination

Licensing – Licensing indicates that adding a new license endorsement would be needed for this type of change. This would also require an update to licensing services to process a new type of endorsement, which would not be able to happen for more than a year given the current timeline for migration as part of the current phase of the ongoing Systems Modernization Project (SMP). Licensing indicates that additional staff would be needed to support the work created by this type of endorsement.

Enforcement & Education – Enforcement & Education staff believe that this type of change is outside the scope of LCB's authority, and would require statutory changes by the legislature to create a new endorsement or license type. Previously added special

¹ LCB, 2023. Annual Report, Fiscal Year 2024. Available at: <u>https://lcb.wa.gov/sites/default/files/publications/2024-</u> annual-report-final-opt.pdf Petition for Rulemaking Δ 1/29/25

Liquor manufacturers and retailers public event sales

licenses or endorsements have all been done via legislative action resulting in changes to statutes.

<u>IT</u> – According to licensing staff, an additional license type or endorsement would require IT resources to process a new application and related materials as part of SMP.

<u>Public Health</u> – There would be concerns from Public Health regarding expanding access to alcohol, including youth access, associated with public events.

Recommendation

Creating a new license type, endorsement, or permit without a legislative mandate has not been an approach or practice of the Board. A legislative bill introduced in 2024 to amend statute to allow retail liquor sales in public settings did not pass.

Based on the information provided, the Director's Office recommends the Board deny the petition for rulemaking submitted on December 10, 2024, by Lina Ciampi because of the need for legislative action and statutory changes to create the type of license or permit requested by the petitioner.

Board Action

After considering the recommendation of Director's Office staff, the Board accepts/denies the petition for rulemaking submitted by Lina Ciampi on December 10, 2024.

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Ac	cept _	<u>X</u> Deny	Abstain	Jim Vollendroff, Board Chair	<u>1/29/2025</u> Date
Ac	cept _	<u>X</u> Deny	Abstain	Ollie Garrett, Board Member	<u>1/29/2025</u> Date
Ac	cept _	Deny	<u>X</u> Abstain	Pete Holmes, Board Member	<u>1/29/2025</u> Date

Attachments:

- 1) Petition and email from Petitioner
- 2) Laws and Rules related to Petition Analysis:
 - RCW 66.20 (Liquor Permits),
 - RCW 66.24 (Licenses Stamp Taxes),
 - WAC 314-02 (Requirements for Retail Liquor Licensees),
 - WAC 314-05 (Special Occasion Licenses),
 - WAC 314-18 (Banquet Permits),
 - WAC 314-38 (Permits)
- 3) LCB Spirits, Beer and Wine Public Tasting Guide.