

# HOUSE BILL REPORT

## HB 2634

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### As Reported By House Committee On:

Commerce & Labor

**Title:** An act relating to the sale of malt liquor in kegs.

**Brief Description:** Authorizing the sale of malt liquor in untapped kegs by class H licensees.

**Sponsors:** Representatives Scott, Mason, Linville, Schoesler, Sheldon, Jacobsen and Veloria.

### Brief History:

#### Committee Activity:

Commerce & Labor: 1/22/96, 2/1/96 [DPS].

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### HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives McMorris, Chairman; Hargrove, Vice Chairman; Thompson, Vice Chairman; Romero, Ranking Minority Member; Conway, Assistant Ranking Minority Member; Cairnes; Cody; Cole; Fuhrman; Horn; Lisk and Goldsmith.

**Staff:** Pam Madson (786-7166).

**Background:** Under the state's system of licensing the sale of alcohol, a Class H licensee may sell alcohol, including beer and wine, by the drink to the public which must consume it on the premises of the licensee. Class H licensees are typically restaurants with cocktail lounges where food is served along with alcohol. A Class H licensee may not hold any other retail license and may not sell alcohol in a closed container to be consumed away from the licensee's premise.

Taverns may sell beer to the public to be consumed on the premises (Class B license), or may sell beer to be taken off the premises in a closed container to be consumed elsewhere (Class E license). Under a Class B license the access to the premises is restricted to persons 21 years of age or older.

Restaurants, such as pizza parlors, may sell beer to the public to be consumed on the premises (Class A license) and may also sell beer to be taken off the premises for consumption (Class E).

Only Class A and Class B licensees (on-premise consumption) who also hold a Class E license (off-premise consumption) may sell malt liquor in kegs or other containers that hold at least four gallons. Class H licensees may not hold Class E licenses (off-premise consumption) and may not sell beer in kegs.

**Summary of Substitute Bill:** Liquor licensees who convert their licenses from a Class A or B in combination with Class E licenses (sale of beer for consumption on or off the premises including kegs) to Class H licenses may continue to sell beer in untapped kegs if authorized by the Liquor Control Board. This provision applies to licensees who converted after January 1, 1993.

**Substitute Bill Compared to Original Bill:** Rather than provide a change in the authority under a Class H license, Class H licensees who qualify may seek an endorsement for their Class H licenses to sell beer in kegs. Licensees who qualify are those who converted from Class A or B licenses in combination with Class E licenses to Class H licenses after January 1, 1993, may continue to sell beer in kegs if authorized by the Liquor Control Board.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Once a person converts the business from a tavern to a restaurant that can sell hard liquor, the business can no longer sell beer in kegs. In some areas, it is hard to find an establishment that can sell kegs to go. It would allow some businesses that were taverns and have become restaurants to make a profit. Taverns have converted because the industry is changing. People are drinking more responsibly and consumption is down. To remain profitable as a restaurant, it is necessary to tap into another market. Not all licensees who hold a Class H license have the facilities to store kegs and likely will not be interested in doing so.

**Testimony Against:** There are over 1,400 licensees state-wide that can sell beer in kegs. There are over 2,000 restaurants holding Class H licenses. There are over 3,900 grocery stores licensed to sell beer in containers smaller than kegs. There are sufficient outlets in the state for the sale of kegs. The sale of spirituous liquor is down, the sale of wine is slightly down, and the sale of beer is slightly up. The trend

over the last decade has been a declining or flat line trend for consumption of alcohol. The philosophy of maintaining a license that only allows the sale of liquor by the drink should continue.

**Testified:** Representative Pat Scott, prime sponsor; Vito Chiechi; and Greg Ortega (in favor). Carter Mitchell, Washington State Liquor Control Board; and Kit Hawkins, Restaurant Association of Washington (opposed).