SENATE BILL REPORT
SB 5090

As of January 27, 2005

Title: An act relating to the privatization of liquor sales.

Brief Description: Privatizing the sale of liquor.

Sponsors: Senators Sheldon, Benson and Mulliken.

Brief History:
Committee Activity: Labor, Commerce, Research & Development: 1/27/05.

SENATE COMMITTEE ON LABOR, COMMERCE, RESEARCH & DEVELOPMENT

Staff: Jennifer Strus (786-7316)

Background: "Spirits" are defined as beverages containing alcohol obtained by distillation, including wines exceeding 24 percent alcohol by volume. Currently, two parties in Washington are allowed to sell spirits for retail sale: Washington State liquor stores, and contract agency stores.

There are 160 state liquor stores, which employ 601 state employees, and 154 contract agency stores. State liquor stores are located on property that is leased by the state. Contract agency stores are privately owned businesses located primarily in rural areas, and the managers of these stores receive a base rate of compensation and a commission from the Liquor Control Board (LCB) for their sales of spirits.

Summary of Bill: The board must close 25 state liquor stores between July 1, 2007 and December 31, 2007. A task force on the contracting out of liquor is created. The task force consists of: one member of each caucus of the Senate; one member of each caucus of the House of Representatives; one representative of county governments; one representative of city governments; a representative of the LCB; and a member of the Governor's Council on Substance Abuse. The task force's responsibilities are to assist the LCB in determining which state liquor stores to close and in developing criteria for the awarding of contract liquor store agreements.

When determining which liquor stores to close, the LCB must give due consideration to the recommendations of the task force. A state liquor store may not be closed unless at least one contract liquor store exists in the area covered by the state liquor store, or the LCB determines that reasonable alternative access to spirits is available in that area.

The LCB may award one contract liquor store agreement within each area formerly served by a state liquor store. When determining the location of contract liquor stores, the LCB must collect input from local jurisdictions, schools, and churches.

The LCB must advertise the opportunity for a contract liquor store agreement in the daily newspaper in the county where the contract liquor store is to be located. A screening committee of LCB staff must evaluate all applications according to specified selection criteria. Criteria includes experience selling spirits and wine in a state liquor store, retail business experience, and ability to meet financial requirements. A separate interview committee of LCB staff conducts personal interviews with remaining applicants, and recommends finalists to the LCB members.

The board may terminate a contract liquor store agreement for good cause, which includes the contract liquor store's insolvency, unsatisfactory service to the community, repeated excessive shortages as verified by audit or misappropriation of funds.

If, immediately prior to the agreement's execution, a state retail liquor store was in operation in the area, the fee for purchasing a contract liquor store agreement is 2 percent of the average gross annual sales for the last five years at the state liquor store serving that area. If, immediately prior to the agreement's execution date, a contract liquor store had been operating in the area, the fee for purchasing the store is 2 percent of the average annual sales for the last 5 years at the contract liquor store serving that area.

The total inventory granted to all the contract liquor stores when they open within an area previously served by a state liquor store must not exceed the inventory that would have been granted to the state liquor store if it was still in operation. The board may increase or decrease the amount of the inventory at contract liquor stores if demand for products changes, and must use the same guidelines and procedures used for inventory changes at state liquor stores.

Compensation for contract liquor store managers includes a base rate and tiered commission to be determined by the LCB by rule. The LCB must pay the contract liquor store manager on the 10th day of the month following the month of sale.

Contract agency stores are not eliminated, and agency store managers are not obligated to pay any fees for their stores.

The Joint Legislative Audit and Review Committee is to study the impacts of further contracting out the state's retail sale of liquor and report back to the Legislature by December 31, 2009.

Appropriation: None.

Fiscal Note: Requested on January 18, 2005. Joint Legislative Audit and Review Committee fiscal note available.

Committee/Commission/Task Force Created: Yes.

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

Testimony For: None.

Testimony Against: It is unclear what the contract liquor stores created in this bill would look like. This bill would seem to allow large chain grocery stores to sell liquor and that would not be beneficial to the state. If this bill were enacted, 100 state employees with an average of 17 years experience would lose their jobs. Liquor store clerks in non-control states are the third most likely occupation to be killed on the job. In control states, injury to liquor store clerks is not an issue.

Who Testified: CON: Lynn Maier, Washington Public Employees Association; Joe Daniels, United Food and Commercial Workers.

Signed in, Unable to Testify & Submitted Written Testimony: NEUTRAL: Rick Garza, Liquor Control Board.

CON: Diane McDaniel, WSLC; Seth Dawson, Washington Association for Substance Abuse and Violence Reduction; Doug Henken, Hood River Distillery; Joe Crump, UFCW; Bev Hermanson, WFSE.

PRO: Holly Chisa, Albertsons.