

HOUSE BILL REPORT

SSB 5280

As Reported by House Committee On:
Commerce & Gaming
General Government & Information Technology

Title: An act relating to the sale of beer and cider by grocery store licensees.

Brief Description: Concerning the sale of beer and cider by grocery store licensees.

Sponsors: Senate Committee on Commerce & Labor (originally sponsored by Senators Kohl-Welles, Braun and Warnick).

Brief History:

Committee Activity:

Commerce & Gaming: 3/17/15, 3/23/15 [DP];

General Government & Information Technology: 4/6/15 [DPA].

**Brief Summary of Substitute Bill
(As Amended by Committee)**

- Authorizes the Liquor Control Board to issue an endorsement to specified grocery store licensees, allowing the sale of beer and cider in a sanitary container brought to the premises by the purchaser, or provided by the licensee or manufacturer, and filled at the tap by the licensee at the time of sale.

HOUSE COMMITTEE ON COMMERCE & GAMING

Majority Report: Do pass. Signed by 5 members: Representatives Hurst, Chair; Wylie, Vice Chair; Blake, Kirby and Vick.

Minority Report: Do not pass. Signed by 2 members: Representatives Scott and Van De Wege.

Minority Report: Without recommendation. Signed by 2 members: Representatives Condotta, Ranking Minority Member; Holy, Assistant Ranking Minority Member.

Staff: Thamas Osborn (786-7129).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background:

The Liquor Control Board (LCB) issues various types of licenses for the sale of alcoholic beverages at retail, including those for beer and/or wine specialty shops, wineries, microbreweries, domestic breweries, restaurants, grocery stores, and nightclubs. Under certain circumstances, the LCB may impose conditions or restrictions on a license, or include special endorsements authorizing the sale of certain types of alcoholic beverages subject to specified conditions.

Certain categories of retail licensees are permitted to sell beer in a "growler," which is a sanitary container brought to the premises by the purchaser, or furnished by the licensee, and filled at the tap at the time of sale. Licensees authorized to sell growlers of beer include: (a) domestic breweries and microbreweries holding a spirits, beer, and wine restaurant license (may only sell beer of their own production); (b) a beer and wine specialty shop licensee with an endorsement to sell growlers; and (c) a spirits, beer, and wine restaurant licensee authorized to sell for off-premises consumption.

Only certain domestic wineries may sell wines of their own production in kegs or growlers. The sale of such kegs or growlers must be for off-premises consumption. The growlers may be brought to the premises by the customer, or supplied by the licensee, and filled at the tap at the time of sale.

Grocery store licensees are not authorized to sell beer, wine, or cider in containers brought to the store by a customer and filled at the store by the licensee.

"Cider" is defined as table wine that contains not less than 0.5 percent of alcohol by volume and not more than 7 percent of alcohol by volume and is made from the normal alcoholic fermentation of the juice of sound, ripe apples or pears.

Summary of Bill:

The LCB is authorized to issue an endorsement to a grocery store licensee allowing the sale of beer and cider in a sanitary container brought to the premises by the purchaser, or provided by the licensee or manufacturer, and filled at the tap by the licensee at the time of sale. The endorsement is limited to only those grocery store licensees with revenues derived from beer and wine sales exceeding 50 percent of total revenues or that maintain a liquor inventory worth not less than \$15,000. Grocery store employees who participate in filling the containers must have an alcohol server permit.

Appropriation: None.**Fiscal Note:** Available

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Passage of this bill would provide significant economic benefits to grocery stores, as well as beer and cider producers. Independent grocers need to be able to fairly compete with other liquor retailers with beer and wine specialty licenses who are currently authorized to sell growlers. Grocers who honor electronic benefits cards are not allowed to obtain beer and wine specialty licenses which, in turn, means that these grocers cannot sell growlers. This bill would solve this problem and allow grocery stores to be more competitive.

(Opposed) This bill would harm small liquor stores currently authorized to sell growlers. They are already at a competitive disadvantage as compared to grocery stores. Extending the growler endorsement to grocery stores would, therefore, serve to further exacerbate the problem. The revenue and inventory dollar thresholds in the bill are too low. This bill is also objectionable because it represents another instance of legislation that further extends alcohol availability and use into the fabric of daily life. It may increase youth access, expand alcohol use overall, and increase problems with drinking and driving. Thefts by minors could also be a problem. If the statute required the liquor in growlers to be poured at room temperature, this might reduce the temptation for a purchaser to drink and drive.

Persons Testifying: (In support) Amy Brackenbury, Washington Food Industry Association; and T.K. Bentler, Washington Brewers Guild and Washington Association of Neighborhood Stores.

(Opposed) Brad Tower, Washington Liquor Store Association; and Seth Dawson, Washington Association for Substance Abuse Prevention.

Persons Signed In To Testify But Not Testifying: None.

**HOUSE COMMITTEE ON GENERAL GOVERNMENT & INFORMATION
TECHNOLOGY**

Majority Report: Do pass as amended. Signed by 5 members: Representatives Hudgins, Chair; MacEwen, Ranking Minority Member; Caldier, Assistant Ranking Minority Member; McCabe and Morris.

Minority Report: Do not pass. Signed by 1 member: Representative Takko.

Minority Report: Without recommendation. Signed by 1 member: Representative Senn, Vice Chair.

Staff: Melissa Palmer (786-7388).

Summary of Recommendation of Committee On General Government & Information Technology Compared to Recommendation of Committee On Commerce & Gaming:

A person is prohibited from using an electronic benefit transfer card to purchase alcohol in growlers, consistent with current prohibitions specified in statute. Additionally, it is specified that in order to qualify for the endorsement, a store's beer and wine sales must exceed 50 percent of its total revenue or the store must maintain a liquor inventory of at least \$15,000.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Many small breweries face challenges in finding outlets to sell their beer. Although specialty liquor stores carry micro-brewery products, local grocery stores cannot carry these products. The structure of the current market cuts-off most state breweries. Grocers are ready to install growler stations and implement these changes. Allowing grocers to sell beer in growlers will provide local breweries access to the market, which is currently dominated by out-of-state beer makers. Essentially, grocers want to continue to sell products they currently sell, just in a different container. Allowing grocers to sell beer and wine in growlers is an important step to keeping the market equitable between grocers and specialty beer and wine stores and former contract liquor stores. This change would allow grocers to showcase local beers. Many microbreweries cannot currently access markets. Although not addressed in the fiscal note, these changes will increase state revenues because these businesses pay taxes. Additionally, the changes would broaden the tax base. Oregon has been doing this for some time and has not run into issues. Requiring 50 percent of grocery store's sales to be beer or wine would negate the point of the legislation.

(Opposed) There were about 300 contract and former state liquor stores and now only half are still in business. The ability to sell beer in growlers is an important feature that makes these stores different. The threshold of \$15,000 in inventory to qualify for an endorsement to sell in a growler is not a high threshold. This legislation would remove one of the last remaining pieces that distinguishes a specialty store from other stores and it is this distinction that allows these stores to compete in the market place.

One could look at any single bill as harmless, but it is the combination of all the bills that expand access to liquor that grays the line between drinking and driving. There is a cost to pouring alcohol into our communities. It should not be a priority to allocate funding for this purpose in such tight budget times. Unless people put these containers in their trunk, it is a violation of the open container laws. Generally, this bill normalizes alcohol consumption.

Persons Testifying: (In support) Cliff Goodman, Vashon Brewing Company; Amy Brackenbury, Washington Food Industry Association; and TK Bentler, Washington Association of Neighborhood Stores and Washington Brewers Guild.

(Opposed) Brad Tower, Washington Liquor Store Association; and Seth Dawson, Washington Association for Substance Abuse Prevention.

Persons Signed In To Testify But Not Testifying: None.