

# HOUSE BILL REPORT

## HB 2792

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**As Reported by House Committee On:**  
Commerce & Gaming

**Title:** An act relating to spirits retailers.

**Brief Description:** Modifying provisions on spirits retailers.

**Sponsors:** Representatives Chapman and Blake.

**Brief History:**

**Committee Activity:**

Commerce & Gaming: 1/22/18, 2/1/18 [DPS].

**Brief Summary of Substitute Bill**

- Prohibits the Liquor and Cannabis Board from denying a spirits retail license to an applicant even if there is another spirits retail store in the trade area in which the applicant's store will be located, provided: (1) the proposed location of the applicant's store is in a rural county; and (2) at the time the license application is submitted there is no licensed spirits retailer within a 15-mile travel distance of the applicant's proposed retail location.
- Specifies that the provisions of the act do not apply to former contract liquor stores or former state-owned liquor stores.

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### HOUSE COMMITTEE ON COMMERCE & GAMING

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Sawyer, Chair; Condotta, Ranking Minority Member; Vick, Assistant Ranking Minority Member; Blake, Jenkin, Kirby and Young.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Kloba, Vice Chair; Ryu.

**Staff:** Thamas Osborn (786-7129).

**Background:**

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*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.*

Initiative Measure 1183 (I-1183), passed by the voters in November 2011, transferred the responsibility for the distribution and retail sale of spirits from the Liquor Control Board, now the Liquor and Cannabis Board (LCB), to the private sector. Following the passage of I-1183, those private businesses licensed by the LCB to sell spirits at the retail level were designated as spirits retail licensees. At that time, such licensees generally fell into two categories: (1) qualifying grocery stores, beer and/or wine specialty shops, and other large retail establishments encompassing at least 10,000 feet of enclosed retail space; and (2) smaller liquor stores that are either former state-owned liquor stores or former contract liquor stores that sold liquor on behalf of the state pursuant to contracts with the LCB prior to the passage of I-1183.

With one exception, applicants for spirits retail licenses that do not meet the 10,000 square foot requirement or are not a former contract liquor store or former state liquor store are not eligible to receive a spirits retail license from the LCB. Under the exception, however, the LCB may not deny a spirits retail license to an applicant if the applicant is otherwise qualified and the following three conditions are met: (1) there is no spirits retail license holder in the "trade area" that the applicant proposes to serve; (2) the applicant meets operational requirements established by the LCB; and (3) the applicant has not committed more than one public safety violation within the three years preceding the application. The LCB has adopted an administrative rule defining "trade area" to mean "an area where there is no spirits retail licensee within a 20-mile travel distance at the time of license application."

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### **Summary of Substitute Bill:**

The LCB may not deny a spirits retail license to an otherwise qualified applicant even if there is another spirits retail store in the trade area in which the applicant's store will be located, provided: (1) the proposed location of the applicant's store is in a rural county as defined in RCW 82.14.370; and (2) at the time the license application is submitted there is no licensed spirits retailer within a 15 mile travel distance of the applicant's proposed retail location. However, these provisions do not apply to former contract liquor stores or former state liquor stores.

### **Substitute Bill Compared to Original Bill:**

The substitute bill makes the following changes to the original bill:

- deletes all provisions of the original bill;
- prohibits the LCB from denying a spirits retail license to an applicant even if there is another spirits retail store in the trade area in which the applicant's store will be located, provided: (1) the proposed location of the applicant's store is in a rural county; and (2) at the time the license application is submitted there is no licensed spirits retailer within a 15 mile travel distance of the applicant's proposed retail location; and
- specifies that the provisions of the substitute bill do not apply to former contract liquor stores or former state-owned liquor stores.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute 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) Currently, state law does not generally allow small spirits retail stores to relocate. This has adverse effects on some rural jurisdictions that don't have a liquor store within a reasonable driving distance. Many citizens in rural areas are forced to drive long distances in order to purchase spirits products. The restrictions on spirits retail licensees regarding relocation need to be liberalized in order for rural areas to be better served. Many small spirits retail stores are struggling or have gone out of business. The provisions of this bill would address some of the problems encountered by small spirits retail stores.

(Opposed) This bill is designed to address the problems faced by one particular spirits retail store owner. When the state liquor stores were sold at auction the purchasers received specified trade territories and these territories were an essential part of the deal. By allowing some stores to relocate, this bill is unfair to other auction purchasers because in some instances it will negate the original trade territory agreement. If enacted, the bill could cause many stores to relocate and migrate to areas with the highest liquor sales activity. This bill is bad public policy because it would eliminate the location limitations specified in I-1183.

(Other) Allowing former state liquor stores and former contract liquor stores to relocate is a bad idea. These stores already have a competitive advantage because they are not required to pay the 17 percent spirits retail fee. However, the original 20-mile trade boundary could be reduced to 10 miles.

**Persons Testifying:** (In support) Representative Chapman, prime sponsor; and Becky Smith, Liquor and Cannabis Board.

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

(Other) Jan Gee, Washington Food Industry Association.

**Persons Signed In To Testify But Not Testifying:** None.