

HOUSE BILL REPORT

ESB 6737

As Reported by House Committee On:
Commerce & Labor

Title: An act relating to distribution of liquor.

Brief Description: Changing provisions relating to distribution of liquor.

Sponsors: Senators Hewitt and Honeyford.

Brief History:

Committee Activity:

Commerce & Labor: 2/19/04, 2/23/04 [DP].

Brief Summary of Engrossed Bill

- Describes the purpose of and the authority for enacting the Washington State Liquor Act.
- Requires the Liquor Control Board (Board) to analyze the effectiveness of liquor controls each biennium, and permits the Board to make recommendations to the Legislature.
- Specifies that the prices posted by beer and wine distributors and suppliers are not subject to public disclosure prior to their effective date.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass. Signed by 8 members: Representatives Conway, Chair; Wood, Vice Chair; McMorris, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Crouse, Holmquist, Kenney and McCoy.

Staff: Jill Reinmuth (786-7134).

Background:

The Twenty-First Amendment to the U.S. Constitution ended federal prohibition of the manufacture and sale of intoxicating liquors, and gave states broad authority to control intoxicating liquors. After the Twenty-First Amendment was ratified, the Legislature enacted the Washington Liquor Control Act (Act). The Act established the Liquor

Control Board (Board) and created a "monopoly" system of liquor control.

The Act requires certain certificate holders and licensees to give notice to and obtain approval from the Board before modifying beer and wine prices. The purpose of this requirement is to promote the public's interest in fostering the orderly and responsible distribution of beer and wine towards effective control of consumption, to promote the fair and efficient three-tier system of beer and wine distribution, and to confirm existing rules as clearly expressing state policy to regulate beer and wine sales and pricing by licensed suppliers and distributors. The authority for enacting this requirement is the Twenty-First Amendment.

Beer and wine distributors must file with the Board "price postings" showing wholesale prices at which beer and wine are sold by distributors to retailers. Beer and wine distributors may not sell beer and wine to retailers at prices different from the prices shown in the price postings, and may not post prices that are less than cost plus 10 percent. Price postings must be open to inspection to trade buyers, and are not confidential.

Beer and wine suppliers must file with the Board copies of written contracts and memoranda of oral agreements with distributors. The contracts and memoranda must show prices charged to distributors for beer and wine as well as other terms of sale. Prices must be uniform except for allowances for freight differentials, and must not be less than cost plus 10 percent. Prices, contracts, and memoranda must be open to inspection to trade buyers, and are not confidential.

Summary of Bill:

The purpose of the entire Washington State Liquor Act (Act) is to promote the public's interest in fostering the orderly and responsible distribution of liquor towards effective control of consumption. The authority for enacting the Act is the Twenty-First Amendment to the U.S. Constitution.

The duties of the Liquor Control Board (Board) include investigating and analyzing the effectiveness of liquor controls and regulations each biennium. The Board, in its discretion, must make recommendations to the Legislature.

Price postings filed by beer and wine distributors and prices, contracts, and memoranda filed by beer and wine suppliers constitute "investigative information" and are not subject to public disclosure prior to their effective date.

Appropriation: None.

Fiscal Note: Requested on February 17, 2004.

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

Testimony For: This bill would make it explicit that the Liquor Control Board's authority to regulate liquor distribution is derived from the Twenty-First Amendment to the U.S. Constitution. It would require the Board to engage in occasional review of controls on liquor distribution and their effectiveness. It would also specify that price postings be public only after prices take effect.

Testimony Against: None.

Persons Testifying: Senator Hewitt, prime sponsor; and Lorraine Lee, Liquor Control Board.

Persons Signed In To Testify But Not Testifying: None.