

# HOUSE BILL REPORT

## HB 2131

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### As Reported by House Committee On:

Commerce & Labor

Finance

**Title:** An act relating to retail sales by the liquor control board fully implementing a retail business plan.

**Brief Description:** Concerning retail sales by the liquor control board.

**Sponsors:** Representatives Grant, Chandler, Upthegrove, Clements, Cooper, Armstrong and Morris.

### Brief History:

#### Committee Activity:

Commerce & Labor: 2/5/04 [DPS];

Finance: 2/9/04, 2/10/04 [DP2S(w/o sub CL)].

#### Brief Summary of Second Substitute Bill

- Directs the Liquor Control Board to conduct a pilot program to test Sunday opening of selected state liquor stores. The pilot ends and the prohibition on Sunday sales resumes July 1, 2007.
- Directs the Liquor Control Board to implement a plan of in-store liquor merchandising.

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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 5 members: Representatives Conway, Chair; Wood, Vice Chair; Hudgins, Kenney and McCoy.

**Minority Report:** Do not pass. Signed by 4 members: Representatives McMorris, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Crouse and Holmquist.

**Staff:** Susan Kavanaugh (786-7106).

### Background:

Washington is one of 14 states that controls the retail sale of alcohol by using state-owned and contract liquor stores to sell spirits, wine, and beer. The Liquor Control Board (Board) is

responsible for controlling the distribution and sale of alcohol and licenses retailers to sell beer and wine for off-premises consumption.

The Board has the authority to manage the liquor distribution and retail systems, including the authority to determine the number of liquor stores and their hours of operation. There are 154 state-owned liquor stores and 157 contract liquor stores. The Board determines the hours of operation for liquor stores based on the cost of operations and available funds.

State law provides that liquor stores may not be open on Sunday, and that the Board may not advertise liquor.

The state liquor stores generate over \$500 million a year in sales. The state and local governments receive revenue from the liquor store profits and liquor taxes. In fiscal year 2001, the Board contributed 41.1 percent of gross sales (\$206.9 million) to state and local governments.

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

The Liquor Control Board (Board) is directed to put in place a temporary retail business plan that includes Sunday opening of selected state liquor stores. Vender operated stores are permitted, but not required to open on Sundays. The same notification and consideration of schools and places of worship is required regarding Sunday opening of state liquor stores as is required for liquor license applications

The prohibition on Sunday sales is temporarily eliminated, but set to resume on February 2, 2006.

A pilot program is established to test the impact of Sunday opening of liquor stores. The Board is directed to open at least 20 state-operated liquor stores for Sunday sales by September 1, 2004. The pilot ends February 1, 2006.

- Sixteen stores are to be in a single geographic area determined by the Board.
- Four stores are to be in major metropolitan areas and chosen by the Board based on their potential for high Sunday sales revenues.

The Board is to track sales and expenses at stores open on Sundays in comparison to prior to Sunday opening, as well as the impact of Sunday opening on sales at nearby liquor stores. The Board must report to the Legislature by January 31, 2006, regarding the net impact of Sunday opening.

Organizations licensed by the Board, such as restaurants, are permitted to pay for purchases from state liquor stores using credit and debit cards.

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

No forms of advertising or merchandising by the Board are permitted. Sunday opening of state liquor stores is pilot-tested in 20 stores rather than phased in beginning with 50 stores. The Board is not prohibited from raising prices at liquor stores until stores are opened on Sunday. The impact of Sunday opening on revenues and expenses is tracked and reported to the Legislature. The repeal of the prohibition on Sunday sales at state liquor stores is temporary, expiring February 2, 2006. Licensees may use credit and debit cards to pay for purchases from state liquor stores.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** None.

**Testimony Against:** None.

**Persons Testifying:** None.

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

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## HOUSE COMMITTEE ON FINANCE

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Commerce & Labor. Signed by 5 members: Representatives McIntire, Chair; Hunter, Vice Chair; Conway, Morris and Santos.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Cairnes, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern and Roach.

**Staff:** Rick Peterson (786-7150).

### **Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On Commerce & Labor:**

The second substitute bill removes the authorization for organizations licensed by the Board, such as restaurants, to pay for purchases from state liquor stores using credit and debit cards. The in-store liquor merchandising plan is added. The time period for the Sunday sales pilot program is extended from February 1, 2006, to July 1, 2007.

**Appropriation:** None.

**Fiscal Note:** Requested on second substitute on February 10, 2004.

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

**Testimony For:** We are in agreement with the Liquor Control Board on the bill. With the in-store merchandising language the bill will result in an increase in revenue. The merchandising program is intended to encourage customers to move up to higher value products. The fiscal note estimates are based on conservative assumptions. Other states that have moved to Sunday sales, such as Oregon and Pennsylvania, have experienced increases in revenue. This bill is about serving the public.

**Testimony Against:** Opening liquor stores on Sundays will move sales from neighborhood stores to state liquor stores. Any increased revenue to the Liquor Control Board will come directly from neighborhood stores. The Liquor Control Board can buy directly from wineries while neighborhood stores must purchase from wine distributors. We are competing with state liquor stores while they sell at our cost. The only beneficiary of this bill is the liquor industry. We oppose the expansion to Sunday sales on moral grounds. Liquor consumption has been a problem in the past. The Liquor Control Board was set up to suppress the per consumption of liquor not increase it.

**Persons Testifying:** (In support) Jim Halstrom, Distilled Spirits Council.

(Opposed) T.K. Bentler, Washington Association of Neighborhood Stores; Matt Yorkston, Yorkston Oil/Washington Oil Marketers Association; Bob Higley, Washington Evangelicals for Responsible Government; and Rick Forcier, Christian Coalition.

**Persons Signed In To Testify But Not Testifying:** (Pro) Steve Gano, Wells Fargo Bank.