

SENATE BILL REPORT

ESSB 5982

As Reported By Senate Committee On:
Ways & Means, January 29, 2004

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

Brief Description: Requiring the liquor control board to implement a retail business plan to improve efficiency and increase revenue.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Prentice, Hewitt, Doumit, Horn and Reardon).

Brief History:

Committee Activity: Ways & Means: 3/4/03, 3/10/03 [DPS, DNP]; 1/29/04 [DP, DNP].

First Special Session: Passed Senate: 6/10/03, 26-18.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report:

Signed by Senators Hewitt, Vice Chair; Doumit, Fairley, Hale, Johnson, Pflug, Prentice, Sheahan, B. Sheldon and Winsley.

Minority Report: Do not pass.

Signed by Senators Fraser and Regala.

Staff: Catherine Suter (786-7442)

Background: The Washington State Liquor Control Board (LCB) currently operates 157 state-run liquor retail stores, and contracts with 155 private vendors to sell liquor in rural areas.

Under current law, liquor sales are not permitted on Sundays. Effectively this means that state-run stores are not open on Sunday, but are open the other six days per week, and contracted vendors are open whichever days of the week they choose, but may not sell liquor on Sunday. Also, the LCB is prohibited from any type of advertising.

The LCB presently has a retail services business plan with recommendations to improve customer service, merchandising, locations, and other aspects of retail sales. Some of the business plan recommendations, including sales of liquor-related products such as mixers, corkscrews, etc. cannot be implemented without changes to current law. Other recommendations to improve in-store marketing techniques, by using vendor-created items, are allowable under current law but have not been implemented statewide.

Under current law, the LCB, through a vote of the board members, may adjust retail prices on liquor at any time. Retail price-setting is limited so that the net annual revenue received from the price of liquor shall not exceed 35 percent of total revenues.

Also, licensees, such as restaurants and taverns, are not allowed to purchase liquor using debit or credit cards.

Summary of Bill: The LCB must create or amend an existing retail business plan to improve efficiency and maximize revenue-generating opportunities. The plan must include, but is not limited to:

- expanding hours to include Sunday sales;
- in-store merchandising including point-of-sale advertising, and promotional displays; and
- in-store merchandising of brands.

The prohibition on Sunday sales is repealed. The prohibition on advertising is modified to exclude in-store merchandising and point-of-sale advertising.

All contracted agency stores are allowed to sell liquor on Sunday, but are not required to do so. The LCB shall open 20 state-operated retail stores by September 1, 2003, based on the stores that are expected to gross the most revenue due to their location and sales history. These stores must be open at least five hours on Sunday. By January 31, 2004, the LCB must report to the Legislature on the sales of liquor stores open on Sundays and on stores in proximity to these that are not open on Sundays.

Licensees are allowed to purchase liquor using debit or credit cards.

Appropriation: \$961,000 to the Liquor Revolving Account-State.

Fiscal Note: Requested on Engrossed Substitute on January 30, 2004.

Effective Date: July 1, 2003.

Testimony For: This bill will make the state and suppliers more revenue. The state stands to make more than the suppliers – \$18 million of tax revenue in the 2003-05 biennium, plus excess profits. Gross hourly sales are doubled on Sunday compared to the average of all other days of the week. The liquor-related products sold in Oregon liquor stores are not duplicated in grocery stores, so they don't compete.

Testimony Against: This bill will cost the state \$5 million in the 2003-05 biennium in salaries for liquor store workers. The board does not see a good enough business case to open on Sundays. Only some of the Oregon liquor stores are making more money due to Sunday sales, and less than half of Oregon stores chose to open on Sunday. The Liquor Control Board retail business plan has considered retailing liquor-related products, but the board prefers to find agreement on this issue with the food industry over this summer interim before proceeding with legislation. The board opposes the restriction on its ability to adjust prices until it opens stores on Sunday. Signs enticing people to enter state liquor stores are inappropriate. Contract liquor stores may not want to open on Sunday, so they may lose some business to state-run stores. Sunday sales may just spread sales around and not make more overall revenue, but labor costs are a major factor for contract stores. Commissions to contractors are higher in Oregon, so maybe it makes more sense for contractors there to be open on Sunday than in Washington. The revenue that could be generated by liquor taxes will be offset by less business and occupation taxes and sales tax from the retail industry. This

bill is about protecting the price of liquor for suppliers, not about increasing revenue. The food industry doesn't oppose Sunday sales, but strongly opposes the sale of liquor-related products. The food industry commits to working on the issue over the summer if this bill is not passed allowing sale of these products. Advertising of wine at state liquor stores would be unfair competition with retailers. Sale of liquor-related items that grocery stores do not or cannot sell would be acceptable, but the issue needs work.

Testified: PRO: Mark Triplett, Diageo; Debbie Bunke, Sunnyside, OR Liquor Store; Bob Van Horn, #205 Liquor Store, Portland, OR; CON: Rick Garza, Washington State Liquor Control Board; Theresa Hancock, Contract Stores; Jan Gee, WA Food Industry; Mark Johnson, NFIB.