

Explanatory Statement

The Law As It Presently Exists

Currently, the state controls the sale and distribution of spirits in Washington. The term "spirits" refers to the alcoholic beverages commonly called "hard liquor" (whiskies, vodka, gin, etc.), any beverage containing distilled alcohol (except flavored malt beverages), and wines exceeding twenty-four percent alcohol by volume. Spirits are sold at retail by state liquor stores and contract liquor stores (which are businesses selling liquor on behalf of the state through a contract with the state). Spirits are distributed within Washington by the state Liquor Control Board. The Board purchases spirits from manufacturers, distillers, and suppliers, furnishes spirits to state liquor stores, and sells spirits directly to authorized purchasers, such as restaurants. Spirits manufacturers, distillers, and suppliers may sell spirits within the state only to the Board.

The Liquor Control Board is responsible for the general control, management, and supervision of all state liquor stores and contract stores, as well as the state's spirits distribution operation. The Board regulates the kind, character, and location of liquor advertising. The Board is not authorized to advertise its sales of spirits.

The Liquor Control Board sets prices for spirits based on wholesale cost, a markup by the Board, and taxes. The net proceeds from the markup on the sales of spirits are distributed to the state, cities, and counties, according to formulas set by state law. A variety of taxes are imposed on the retail sale of spirits. The generally applicable retail sales tax does not apply to spirits. The tax revenues from sales of spirits are distributed to the state, cities, counties, and to fund specific state and local programs, according to formulas established by state law.

Under existing law, private parties who are licensed may sell and distribute beer and wine not exceeding twenty-four percent alcohol by volume. Private beer and wine license holders operate under a "three-tier system". Under the three-tier system, there are separate licenses for (1) manufacturing, (2) distributing, and (3) retailing of beer and wine. The three-tier system regulates the financial relationships and business transactions between licensed parties in the three tiers. Retailers are allowed to purchase beer and wine only from licensed distributors, with certain exceptions, and licensed distributors are allowed to purchase only from licensed manufacturers, with certain exceptions. The licensed distributors and manufacturers are required to maintain and adhere to published price lists and to offer uniform pricing to all customers on a statewide basis. Uniform pricing precludes a distributor from selling spirits at a discount to individual retailers if the same price is not available to other retailers, and similarly precludes a manufacturer from making discounted sales to individual wholesalers.

The Effects Of The Proposed Measure If Approved

If approved, Initiative 1100 would direct the Liquor Control Board to close all state liquor stores, to terminate contracts with the private contract liquor stores, and to shut down the state's spirits distribution operation. It would allow licensed private parties to sell spirits as retailers or distributors, and it would terminate the state's authority to sell spirits. This would eliminate the net proceeds from the Board's markup on sales of spirits at state liquor stores and contract liquor stores, which are distributed to the state, cities, and counties. Initiative 1100 would retain existing taxes on the sales of spirits, with minor modifications.

Initiative Measure 1100 would change the Liquor Control Board's powers. It would eliminate the Board's authority to manage liquor stores, distribute spirits, set spirit prices, and require the Board to close state stores by December 31, 2011. The measure would limit the Board's rulemaking powers to regulation of licensing matters, taxation, and the prevention of abusive consumption and underage drinking. The Board's authority to regulate the kind, character, and location of advertising of liquor would be subject to new limitations.

Initiative 1100 would authorize the Board to license private entities to sell spirits at retail, to distribute spirits to retailers, and to manufacture or import spirits in Washington. With exceptions, license holders would pay annual licensing fees. The licensing fees would be used for the costs of administration, for enforcement of licensing laws, and to reduce abusive consumption of alcohol and underage drinking.

Under Initiative 1100, a "general liquor retailer's license" would allow the license holder to sell spirits, beer, and wine at retail. This retailing license would be available to any person who applies for the license, meets requirements, and pays the necessary licensing fee. In addition, any grocery store or specialty store with a beer and/or wine license in good standing could pay a fee and obtain a general liquor retailer's license, which would allow sales of spirits. All of the stores that formerly sold spirits under a contract with the state could obtain a general liquor retailer's license without paying a fee.

A "general liquor distributor's license" would allow the license holder to distribute beer, wine, and spirits obtained from authorized sources, such as licensed manufacturers and importers. Current holders of a beer or wine distributor license could obtain a general liquor distributor's license allowing distribution of spirits by paying a licensing fee. A person could also obtain a spirits distributor license to distribute only spirits. A licensed distillery or manufacturer could act as a distributor and retailer of its own products.

Under Initiative 1100, spirits could be produced under a distillery license or manufacturer's license, subject to regulation by the Board. A license for spirits importers would allow the import and export of spirits, subject to regulation by the Board. Other licenses or certificates of approval would allow a distiller or manufacturer of spirits outside the state to sell and ship spirits into the state.

Initiative 1100 also changes the laws that regulate the importation, distribution, delivery, and retail sales of beer and wine. Initiative Measure 1100 would eliminate the existing three-tier regulatory system for beer and wine that, in general, requires licensed manufacturers to sell only to licensed distributors, and licensed distributors to sell only to licensed retailers. It would repeal the uniform pricing requirement that requires each manufacturer to offer beer or wine at a uniform price to all distributors and requires each distributor to offer beer and wine at a uniform price to all retailers.