Alabama Alcoholic Beverage Control Task Force

Written Testimony of Representative Christopher Hurst, State of Washington

Chair, House Commerce & Gaming Committee

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In 2012 Washington citizens approved I-1183 which took Washington from being a state owned and operated liquor state to one of private control. Prior to this initiative we had state run stores as well as a state distribution system. After privatization stores over a size of 10,000 square feet, as well as stores that were auctioned or contract stores could sell liquor. We had two major distributors come in and they controlled the majority of the market as far as distributing liquor throughout the state. Privatization has brought some major changes to Washington State and I highlight those below.

After privatization our state experienced an increase in liquor theft by large retail theft organizations as well as by individuals shoplifting bottles and walking out of the store. We received reports from local police departments stating that they were encountering minors with shoplifted bottles of liquor at a higher rate than normal. It's interesting to note that our grocery stores have always had beer and wine, which has never been the subject of significant shoplifting, but the introduction of liquor seemed to change this equation. Our state run stores, prior to privatization, only had one entrance and one exit allowing for easy checking of ID's and ensuring that all liquor was purchased before leaving the store. To address this issue of theft, we worked with the stakeholders, the stores, state and local police, and prevention organizations to find common ground to ensure that the liquor was being properly stored and monitored. Our objective was to reduce shoplifting by people that were not qualified purchasers.

In 2014 we passed House Bill 2155. This bill authorized the liquor control board, subject to certain procedural requirements, to regulate licensed spirits retailers to reduce the theft of spirits from the premises of the retailers.

- Authorizes the Liquor Control Board (LCB) and law enforcement agencies to regulate spirits retail licensees for the purpose of reducing the theft of spirits from the premises of such licensees.
- Authorizes the LCB to impose remedial requirements upon spirits retail licensees who are experiencing unacceptable rates of spirits theft from their premises.
- Requires that the LCB follow specified procedures before imposing either remedial measures or sanctions on spirits retail licensees who are experiencing unacceptable theft rates.
- Provides the LCB with a general grant of authority to monitor and regulate the practices of licensees as necessary in order to prevent the theft and illegal trafficking of liquor.

Since passing this legislation we have seen a significant decrease in liquor theft. Stores have taken steps on their own to lock up their high theft items, implemented night time lock ups, or capping of the liquor bottles with anti-theft devices. This legislation and program appears to have been very successful and in fact the LCB has not had to take action against any retailer for violating the provisions of this legislation.

Although we have heard of an increase in liquor theft by minors, we do not have any data to show an increase in use.

Revenue to the state increased, as there was a fee that the distributors had to pay in order to enter into the market.

When it comes to employment there are mixed opinions on that. There was a decrease in union jobs as the state was no longer distributing alcohol although we have heard that many of those individuals were picked up by the new distributors, both of which have union shops. The largest economic effect privatization has had was on the auctioned and contract liquor stores. These were stores that previously sold liquor under the state system and then were grandfathered in to continue to sell spirits even though they were under the minimum 10,000 square foot requirement. These businesses, which are mostly minority owned, have been struggling to compete with the big box stores. Where they once were the only option to purchase liquor, they are now going up against grocery stores, and other large retail outlets like Total Wine and More & BevMo liquor stores.

Sticker shock was a huge issue when we first transitioned to the private system. This occurred for several reasons. First, in the state stores the prices were listed to include all applicable taxes, so people paid the price that they saw. When we transitioned, stores were posting the sale price and then adding the taxes on at the register so people for the first time saw how much in taxes they were actually paying for their alcohol. There was also a slight increase in price as additional fees were put into place. Since the initial shock, the price has stayed relatively even, although we are currently looking at doing an overhaul of the entire tax structure as Washington has the highest liquor tax in the nation. Much of this issue could have been avoided by simply requiring retailers to post the actual cost of the product so the public would have had a more seamless transition.