

# Beer and Wine Regulation in Washington State

A Brief History

# Time Periods

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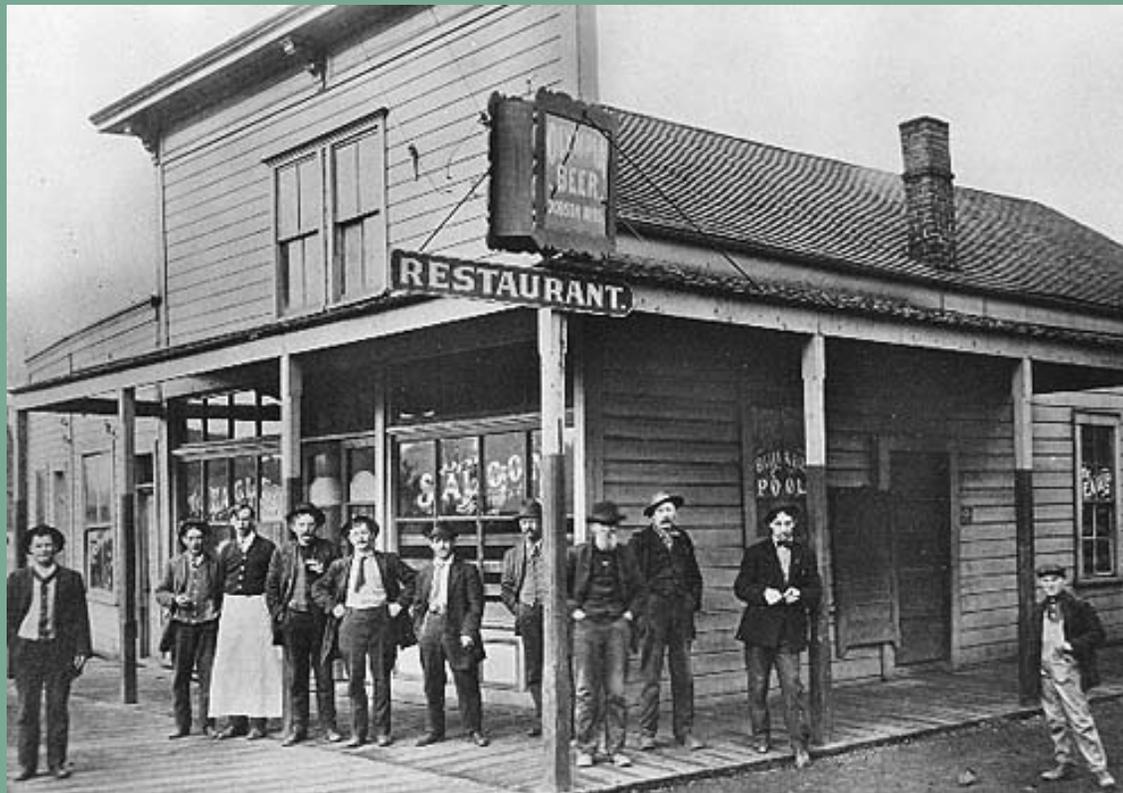
- Pre-prohibition: pre-1914
- Prohibition (the “dry years”): 1914 - 1933
- Post-prohibition: Steele Act: 1933
- Post-prohibition regulatory changes: 1934 - present

# Pre-Prohibition – early years

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- Temperance movement - 19<sup>th</sup> century
  - Prohibition Party, Anti-Saloon League, International Order of the Good Templars, others.
- Early state rejections of prohibition
  - 1855 - Washington Territory.
  - 1889 - on statehood.

# Pre-Prohibition – the saloon



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The saloon as a social institution.

# Pre-Prohibition – industrialization

## Industrialization brings competition

- Railroad expansion.
- Rush to open new saloons or expand old.

## Competition leads to financial entanglements

- Saloons indebted to brewers.
- Bribes for exclusive contracts.

## Entanglements lead to the saloon “evils”

- Open 24/7; sales to minors.
- The saloon – a “hell-soaked institution” and “putrid fester spot.”

## Pre-prohibition – saloon “indecencies”

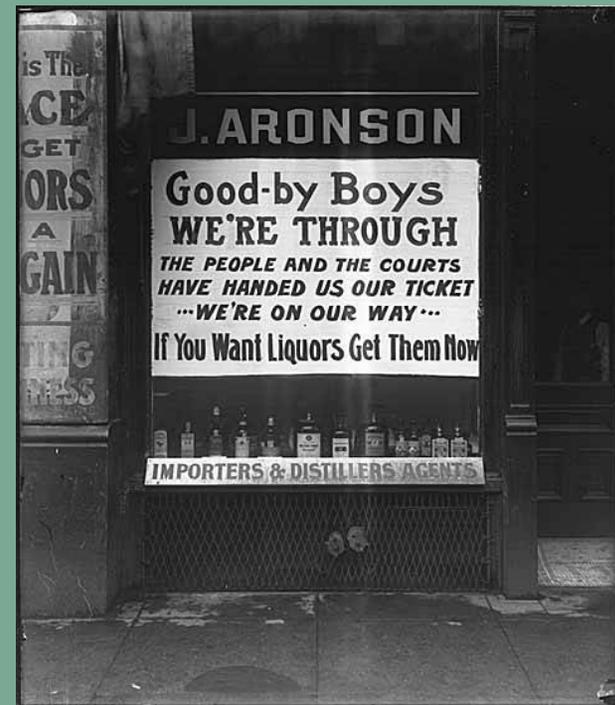
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“When almost anyone could become a saloonkeeper, almost anyone who did was in debt to a brewery. And the brewery barons were harsh taskmasters. The debt slaves had to hustle to attract the customers to pay their bills, or they had to get out. And therein lay the catalyst of saloon indecencies.”

*Norman Clark, The Dry Years, p. 58.*

# Prohibition - enacted

- State prohibition – 1914
  - Prohibition was major issue of the era.
- Federal prohibition
  - 1919 – 18<sup>th</sup> Amendment.
  - 1920 – Volstead Act.



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# Prohibition - lawlessness

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Deputy sheriffs find moonshine whiskey at Nick's Place near Kirkland on April 20, 1926.

King County Sheriff's Department uncovers 190 cases of liquor in downtown Seattle raid on December 19, 1923.

A bootlegger shoots and kills Clark County Sheriff Lester Wood on May 22, 1927.

Sheriff's deputies raid Seattle's Green Lake neighborhood and find moonshine on December 27, 1923.

Deputy sheriffs find moonshine whisky at a ranch near Pine Lake on March 11, 1925.

Sergeant John F. Weedin and Officer Robert R. Wiley are shot and killed off duty by the night watchman at a bootlegger's warehouse on July 24, 1916.

*"Headlines" from [www.historylink.org](http://www.historylink.org)*

# Prohibition - crime



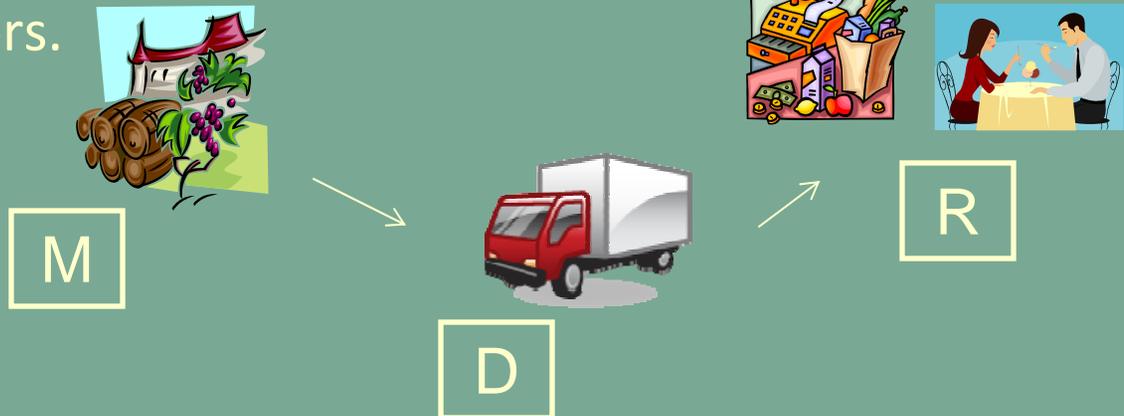
# Post-prohibition: repeal

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- 21<sup>st</sup> Amendment gives states right to regulate liquor - 1933
- Washington adopts regulatory scheme - Steele Act
  - One of 18 “control” states.
  - Liquor Control Board established.
  - Use of terms “bar,” “barroom,” and “saloon” prohibited.

# Post-prohibition: Steele Act

- Comprehensive system for sale and distribution of beer and wine
- Three-Tier system – M D R
- Avoid pre-Prohibition abuses
  - Separate wineries and breweries from retailers.
  - Require beer and wine to be sold through distributors.



# Post-prohibition: Steele Act, cont.

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## ■ Tied-house laws

- Support separation of tiers.
- Prevent domination of one tier over another and exclusion of competitors' products.
- Two aspects:
  - Ownership – prohibits M and D from owning or having a financial interest in R.
  - Money's worth – prohibits M and D from providing things of value to R.

# Post-prohibition: 1934 to present

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- Incremental legislative changes
  - Tiers are less distinct.
  - Tied-house exceptions.
  - Other legislation.

# Post-prohibition: early developments

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- 1948 - Initiative 171 –restaurants may sell spirits by the drink.
- 1966 - Initiative 229 - Sunday “blue laws” repealed.
- 1969 - Distributors may carry out-of-state wines.

# Post-prohibition – 1970s

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- Early - In-state wineries and breweries may act as distributors of their own production.
- 1975 - In-state wineries and breweries may act as retailers of own production.
- 1977 - Breweries and wineries may be licensed as restaurants on their premises or contiguous property.

# Post-prohibition: 1980s

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- 1981 - Wineries/breweries and distributors may furnish free samples to retailers to negotiate a sale.
- 1982 - Wineries/breweries and distributors may provide a special occasion licensee with beer dispensing equipment or pouring services at a beer or wine tasting event.
- 1988 - Distributors may sell non-liquor items to retailers on 30 days credit.

# Post-prohibition: 1990s

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- 1995 - Pricing and delivery laws codify practice:
  - Quantity discounts prohibited.
  - Uniform pricing required.
  - “Minimum mark-up” required (no sales below cost plus 10 percent).
  - Central warehousing prohibited.
- 1996 - Manufacturer may have an indirect interest in property on which a retailer does business and which is used for outdoor entertainment.

# Post-prohibition: recent changes

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- 2004 - Wineries/breweries may sell wine/beer they produce at farmers markets for off-premises consumption.
- 2006 - Out-of-state wineries/breweries (in-state authority retained) may direct ship to Washington retailers - response to court decision.
- 2006 - Out-of-state and domestic wineries may direct ship to Washington consumers.

## Post-prohibition: recent changes, cont.

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- 2007 - Wineries may pour at restaurants.
- 2007 - Wineries may use common carriers on a limited basis when self-distributing to a retailer.
- 2007 - “Omnibus” bill:
  - Breweries may operate a restaurant off-premises.
  - Local wine industry associations are eligible for special occasion license.

# Post-prohibition: recent changes, cont.

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- 2008 - “Omnibus” bill:
  - Restaurants may sell any wine (not just exclusive label wine) for off-premises consumption.
  - Wineries may use bonded wine warehouses to pack and ship.
  - Wineries may sell wine by the glass at off-site tasting rooms.
- 2008 - Grocery store beer/wine sampling pilot project.

*Prepared for:* Joint Select Committee on Beer and Wine Regulation

June 10, 2008

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