

2018 State Elections: Not Exactly
a Blue Wave But Still A
Difference Maker

2018 Ballot Initiatives

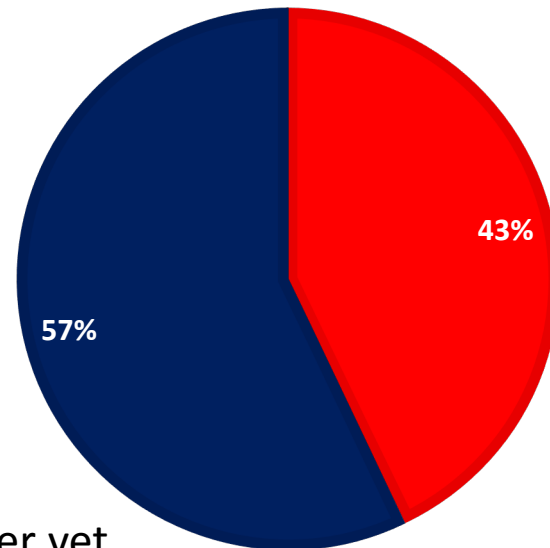
- I-1631 – Carbon Tax/Fee Defeated by a wide margin (56%)
- I-1634 – Preempt city/county grocery taxes passes by a wide margin
 - Does not include alcohol, tobacco, or marijuana as “grocery”
- I-639 – Gun control passes
- I-940 – Law enforcement training passes

2019 Washington State Legislature: Senate

- Senate Democrats added at least 2 new seats*
 - 30th and 47th Legislative Districts
- Democrats now hold a 28-21 majority

STATE SENATE MAKEUP

■ Republican ■ Democrat



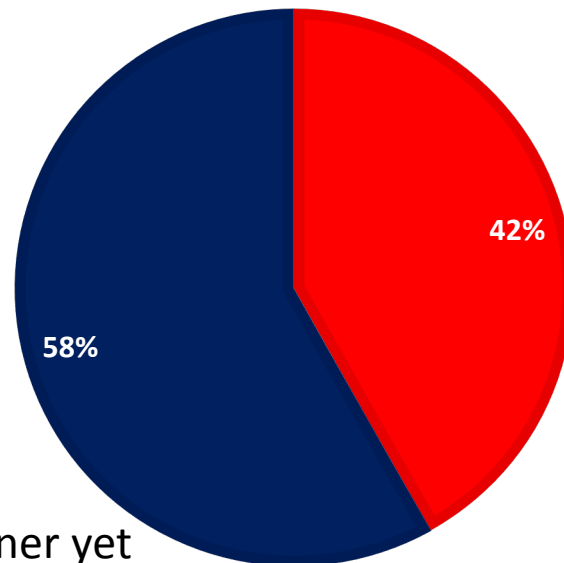
*Several races still very close with no clear winner yet

2019 Washington State Legislature: House

- House Democrats added at least 6 new seats*
 - 5th (both seats), 10th, 42nd, 44th, 47th Legislative Districts
- Democrats now hold a 57-41 majority (close to supermajority)

STATE HOUSE MAKEUP

■ Republican ■ Democrat



*Several races still very close with no clear winner yet

2019 Legislature: Legislature's Expected Session Priorities

2019-2021 Operating, Capital, and Transportation Budgets

- Washington State's three main budgets that fund state government operations and capital expenditures will be priority #1 for the 2019 legislative leadership
- Washington State currently enjoys a strong surplus with over \$2 billion in our rainy day fund. This said, Governor Inslee is on record saying the state needs new revenue to stay healthy in future years
- We expect serious conversations around a capital gains tax, other new or increased revenue options that can withstand a legal challenge

Improvements to K-12 Education Funding

- Schools across the state went on strike this fall to send a message that the K-12 education funding solution the Legislature agreed to last year did not get the job done.
- Legislators will have to decide if they want to reopen this “pandora’s box” of an issue once again or leave it be and let individual school districts find their own solutions

Higher Education Funding

- K-12 education funding debate in Olympia has dominated the headlines of where education money needs to go. As a result, higher education has been significantly underfunded
- A bi-partisan message going into this coming year is a need to focus on properly funding higher education programs and opportunities
- This is our industry's opportunity to help fight for V&E schools' funding as the debate begins and intensifies during session

Environment, Labor, and Social Safety Net Priorities

- This are elements of the Democrats and leadership's platform
- We expect to continue to see a lot of legislation that deals with one or multiple issues within each arena
- We may even see Committee structures be altered entirely to allow for a legislative committee to solely focus on one of these priorities (Ex: Senate Labor Committee)

Senate Labor and Commerce Committee

- ✓ Senator Karen Keiser remains Committee Chair and will continue to focus on labor and social safety net legislation
- ✓ Alcohol and cannabis bills expected to receive modest level of attention and held to 1-2 days at most prior to committee cutoffs
- ✓ In 2018, the Chair didn't hear ANY alcohol or cannabis bills unless they survived through the House Chamber. Unclear but likely this expectation will be repeated for 2019.



House Commerce and Gaming Committee

- ✓ New Committee Chair TBA
- ✓ A new minority leader on committee due to retirement
- ✓ New direction and priorities agenda
- ✓ Both caucuses are exhausted by alcohol and cannabis discussions



2019 Legislative Session: What the Buzz Will Be About

1. The session focus will be on the 2019-2021 budgets and whether the Democrats have enough votes to create new revenue or increase current revenue sources
 - We expect with stronger Senate and House majorities Democrats will seriously consider 1-2 new revenue sources (capital gains, carbon, b&o)
 - Senate Democrats have a new majority leader in Sen. Andy Billig (3rd LD - Spokane), who is best known for helping lead the K-12 education funding “compromise” last session
2. WA Wine Priority Areas:
 - ✓ Alcohol legislation will struggle unless focused, well-vetted with little opposition (we plan on running at least one, maybe two bills, and a possible omnibus bill)
 - ✓ Protect from attacks by the national and state wholesalers on our Self-Distribution privileges
 - ✓ Small business issues, labor, Ag (Mike will cover), and Higher Ed (V&E schools funding for us) will take center stage
3. Finishing session within the allotted 105 days of regular session
4. The great unknown