5487-S AMS SHED S2532.1

<u>SSB 5487</u> - S AMD 251 By Senator Sheldon

Strike everything after the enacting clause and insert the following:

3 "NEW SECTION. Sec. 1. The state of Washington currently contracts 4 out part of its retail sales by allowing contract liquor stores to sell The legislature intends that further contracting out of the 5 liquor. 6 state's retail liquor sales will result in a system that is more 7 efficient than public sector retailing. Therefore, the legislature 8 intends to close a portion of the state's retail liquor stores, to 9 contract out their operation to private individuals, and to monitor the impact of the store closures. 10

11 <u>NEW SECTION.</u> Sec. 2. (1) "Contract liquor store" means a 12 privately owned business having an agreement with the board beginning 13 after July 1, 2005, to sell spirits and wine in original packaging for 14 off-premises consumption.

15 (2) "Contract liquor store manager" means an individual person 16 appointed by the board who enters into an agreement to sell spirits and 17 wine in original packaging for off-premises consumption on behalf of 18 the board in a contract liquor store.

(3) "Contract liquor store agreement" means a written contract
between the board and a contract liquor store manager that specifies
the terms, conditions, and obligations between both parties.

(4) "State retail liquor store" or "state liquor store" means a
state liquor store as used in chapter 66.16 RCW and does not include
contract liquor stores.

25 <u>NEW SECTION.</u> Sec. 3. (1) A task force on the contracting out of 26 liquor is created to advise the board as it implements further 27 contracting out of liquor stores. The task force membership shall 28 consist of:

(a) One member from each caucus of the senate, appointed by the
 president of the senate;

3 (b) One member from each caucus of the house of representatives,
4 appointed by the speaker of the house of representatives;

5 (c) One representative of city governments, appointed jointly by 6 the president of the senate and the speaker of the house of 7 representatives;

8 (d) One representative of county governments, appointed jointly by 9 the president of the senate and the speaker of the house of 10 representatives;

(e) A representative of the liquor control board. The board shall cooperate with the task force and provide technical expertise and staffing as the task force may reasonably require;

(f) A representative of the governor's council on substance abuse.
(2) The task force shall choose its cochairs from among its
membership.

17 (3) Each nonlegislative member of the task force is eligible to be 18 reimbursed for travel expenses in accordance with RCW 43.03.050 and 19 43.03.060. All expenses of the task force, including travel, shall be 20 paid jointly by the senate and the house of representatives.

21 (4) The task force shall:

(a) Assist the board in determining which state liquor stores toclose;

(b) Assist the board in determining criteria for awarding contractliquor store agreements.

26 (5) This section expires July 1, 2008.

<u>NEW SECTION.</u> Sec. 4. Notwithstanding any other provision of law, 27 the board is directed to implement the closure of twenty-five state 28 liquor stores between July 1, 2007, and December 31, 2007. 29 When determining which liquor stores to close, the board must give due 30 31 consideration to recommendations from the task force. A state liquor store may not be closed unless one contract liquor store exists in the 32 area served by the liquor store, or unless the board determines that 33 34 reasonable alternative access is available to persons who previously 35 purchased products from the state liquor store that is closing.

<u>NEW SECTION.</u> Sec. 5. Nothing in this act shall be construed to require the closing of any contract liquor stores having contracts with the board before January 1, 2005, to sell spirits and wine for offpremises consumption, or to require these contract liquor store managers to pay a fee to continue to operate their stores.

<u>NEW SECTION.</u> Sec. 6. (1) The board may locate one contract liquor 6 7 store within the area served by a closing state retail liquor store. The total inventory granted to a contract liquor store when it opens 8 must not exceed the total volume that would have been granted to the 9 closing state liquor store if it was still in operation at that time. 10 11 The board may increase or decrease the amount of the combined inventory at contract liquor stores if demand for products changes, provided that 12 the quidelines for the change of inventory are the same as those for 13 inventory changes at state retail liquor stores. 14

15 (2) The board shall determine the procedural guidelines of the 16 contract liquor stores including, but not limited to, guidelines 17 regarding inventory, performance standards, operations, and required 18 reporting to the board.

(3) The board reserves the right to add, relocate, or close 19 20 contract liquor stores. When adding, relocating, or closing contract 21 liquor stores, the board must use the same decision process and criteria that it uses to add, close, or relocate state retail liquor 22 stores and contract liquor stores. Neither the state of Washington nor 23 24 the board is liable for any changes in the volume of alcohol sales that may occur following the addition, relocation, or closure of contract 25 26 liquor stores.

27 <u>NEW SECTION.</u> Sec. 7. (1) The board must advertise the opportunity 28 for a contract liquor store agreement in the daily newspaper in the 29 county where the contract liquor store is to be located. The 30 advertisement must include:

31

(a) The starting date of a contract liquor store agreement.

32 (b) General selection criteria and procedures for selecting and33 appointing a contract liquor store manager.

34 (c) Information on the costs involved in purchasing a contract 35 liquor store agreement.

36 (d) Deadline for receiving applications.

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(e) Directions for obtaining additional information.

2 (2) After the application deadline, a screening committee of board staff shall evaluate all applications according to the selection 3 criteria specified in section 8 of this act and recommend applicants 4 5 for an interview. A separate interview committee of board staff will then conduct personal interviews with the remaining applicants. 6 The 7 interview committee shall recommend finalists who are most qualified based on the selection criteria specified in section 8 of this act to 8 9 the three liquor control board members.

10 (3) If an appointed contract liquor store manager cannot begin 11 operation of the contract liquor store by the required date, the three 12 liquor control board members may select another applicant from the list 13 of finalists recommended by the interview committee.

14 (4) The board must take into account input from local
15 jurisdictions, schools, and churches pursuant to RCW 66.24.010 when
16 determining locations for contract liquor stores.

(5) This section does not apply if a contract liquor store manager dies or becomes indefinitely disabled and is succeeded by a family member or assignee as provided in section 10 of this act.

20 <u>NEW SECTION.</u> Sec. 8. (1) The board may adopt rules regarding the 21 criteria for awarding contract liquor store agreements, and must give 22 due consideration to the recommendations of the task force regarding 23 these criteria.

(2) When the board selects a contract liquor store manager, the
 board must evaluate the knowledge, skills, and abilities of all
 applicants in the following areas:

(a) Specific experience selling spirits and wine in state retail liquor stores in Washington, and being familiar with Washington state's inventory system, liquor control rules and laws, and state retail liquor store procedures;

31 (b) Retail business experience including, but not limited to, 32 responsibility for inventory control, cash accountability, supervision 33 of personnel, and customer service;

34 (c) Knowledge of retail operations or business management,35 including study or training in those or related fields;

36 (d) Customer service skills and ability to communicate and work 37 effectively with the public;

(e) Whether the applicant's health permits full-time supervision of
 a contract liquor store;

3 (f) The applicant's record of felony conviction, conviction of a 4 crime relating to money management fraud, or a history of conviction of 5 crimes relating to the abuse of alcohol or controlled substances;

6 (g) The applicant's financial ability to purchase or lease and 7 equip the contract liquor store at the board-approved location, and to 8 pay the required contract liquor store agreement fee;

9 (h) Possession of a certificate of liability insurance from his or 10 her insurance carrier.

11 (3) A contract liquor store manager must be at least twenty-one 12 years old.

(4) A contract liquor store manager must not have any financial interest in a business licensed as a distillery whose products are sold in Washington. For the purposes of this section, "financial interest" means knowingly having an ownership interest, as a sole proprietor, partner, limited partner, or stockholder in any direct or indirect interest through a device such as a holding company.

19 (5) A contract liquor store manager must not knowingly provide 20 anything of value in return for something of value to any distillery 21 whose products are sold in Washington, provided that this does not 22 prohibit persons from providing services and commodities to each other 23 that they routinely provide to the general public under the same terms.

(6) No contract liquor store manager or member of the manager's
 household or immediate family may be employed by any distillery whose
 products are sold in Washington.

NEW SECTION. Sec. 9. (1) The fee for purchasing a contract liquor store agreement when, immediately prior to the agreement's execution date, a state retail liquor store was in operation in the area served by the contract liquor store, is two percent of the average gross annual sales for the last five years at the state retail liquor store serving that area. This fee is to be paid to the board upon the execution of a contract liquor store agreement.

34 (2) The fee for purchasing a contract liquor store when, 35 immediately prior to the agreement's execution date, a contract liquor 36 store was in operation in the area to be served by the contract liquor 37 store, is two percent of the average gross annual sales for the last

1 five years at the contract liquor store serving that area. If the 2 prior contract liquor store has not been in operation for five years, 3 the board shall determine a reasonable gross sales period on which to 4 base the two percent fee.

5 (3) Family members of a deceased or indefinitely disabled contract 6 liquor store manager who replace that manager are not required to pay 7 the fee specified in this section.

8 <u>NEW SECTION.</u> Sec. 10. (1) The board may adopt rules regarding the 9 termination of contract liquor store agreements.

10 (2) A contract liquor store manager may terminate a contract liquor 11 store agreement with at least ninety days' written notice to the board. 12 The notice must specify the reason for the termination, as well as a 13 fair purchase price for fixtures and equipment used in the contract 14 liquor store that are required for its continued operation.

15 (3) The board may terminate a contract liquor store agreement for 16 good cause. For the purposes of this section, good cause includes, but 17 is not limited to:

(a) The contract liquor store manager becomes insolvent, unable or
unwilling to pay contract liquor store debts, applies for or consents
to the appointment of a receiver or trustee, or makes a general
assignment for the benefit of creditors;

(b) The contract liquor store manager violates any applicable federal, state, or local statute or any rule adopted by the board pursuant to this chapter;

25 (c) The contract liquor store manager has repeated excessive 26 shortages as verified by audit;

(d) The contract liquor store manager gives unsatisfactory service to the community as reflected by a pattern of confirmed and verified complaints from the public;

30 (e) The contract liquor store manager or an employee of the manager 31 misappropriates or participates in misappropriation of money or other 32 property of the board or intentionally or negligently violates any 33 policy or procedure which causes a financial loss to the board;

34 (f) The contract liquor store manager becomes physically or 35 mentally impaired, rendering him or her unable to properly perform or 36 fulfill the contract liquor store manager's duties either permanently 37 or for an indefinite period;

(g) The contract liquor store manager uses or allows the use of the
 contract liquor store premises for any activity illegal under federal,
 state, or local laws.

4 (4) Upon the death or incapacity of the contract liquor store 5 manager, the board may appoint a surviving family member or assignee 6 who has been actively involved in the business to manage the contract 7 liquor store, provided the board determines the family member or 8 assignee is qualified according to section 8 of this act.

9 <u>NEW SECTION.</u> Sec. 11. (1) The board may adopt rules regarding the 10 shipping and inventory of liquor to contract liquor stores.

(2) The board shall ship to the contract liquor store on a prepaid freight basis, liquor that is to be kept for sale by the contract liquor store manager. The board shall maintain ownership over all liquor until the time it is properly sold.

15 (3) The board shall determine by rule, and in accordance with RCW 16 66.16.080, the hours during which contract liquor stores are allowed to 17 sell liquor, and procedures for displaying liquor when liquor sales are 18 not allowed.

19 (4) The board shall determine the amounts, classes, varieties, and 20 brands of liquor listed for sale statewide. The board shall work with 21 the contract liquor store manager to ensure a choice of products to the 22 community being served. Where items are in short supply, the contract 23 liquor store manager shall have an equal opportunity to order and 24 receive these items.

(5) The board shall issue and distribute price lists showing the price to be paid by purchasers for each item of liquor for sale at the contract liquor store.

(6) The board shall assign licensees' accounts to a state retail liquor store or contract liquor store. No solicitation of licensee accounts is allowed. The board will normally assign restaurant accounts to the nearest state retail liquor store or contract liquor store. Any discounts currently received by licensees shall also be honored at contract liquor stores.

(7) The board shall provide a bank account, in the local community
 where possible, for daily deposit of funds derived from the sale of
 liquor and banquet permits by the contract liquor store manager. Daily

1 deposit of funds by the contract liquor store manager is required 2 unless an exception has been agreed to in writing by the board and the 3 contract liquor store manager.

(8) The board shall pay the contract liquor store manager on or 4 5 about the tenth day of the month following the month of sale, after receipt of sales reports and transaction summaries, an amount equal to 6 7 the compensation formula to be determined by the board by rule. Compensation must include a base rate and a tiered commission based on 8 The board may increase contract liquor store commissions to 9 sales. 10 attract or maintain contract liquor store managers. The compensation formula must be reviewed before July 1 every two years, and the 11 12 compensation rates may be adjusted by the board. All proposed 13 compensation adjustments must be approved by the board and by the 14 director of the office of financial management, in accordance with RCW 66.08.026. 15

(9) Any operating shortages verified by formal audit shall be deducted from any compensation due and owing to the contract liquor store manager until the amount of the shortage is paid in full. The board will allow shortages of one-half of one percent of the contract liquor store manager's gross sales during the audit period to be paid at cost. Shortages in excess of one-half of one percent shall be paid at full retail price.

(10) The board is authorized to inspect the contract liquor store and its books at any reasonable time for compliance with the regulations of this chapter, and any rules adopted by the board regarding this chapter.

27 <u>NEW SECTION.</u> Sec. 12. (1) Contract liquor store managers shall 28 sell the board's liquor to retail customers and all eligible liquor 29 licensees on the contract liquor store premises at prices set by the 30 board.

(2) Contract liquor store managers shall maintain the security of,
and prevent damage to, the liquor and any other property of the board.
(3) Contract liquor store managers shall account for all inventory,
sales, and receipts on forms or equipment and at time intervals as may
be required by the board.

36 (4) Contract liquor store managers shall display liquor

1 attractively and maintain the contract liquor store premises in a 2 manner that allows customers a clean, comfortable, and safe environment 3 to make purchases.

4 (5) Contract liquor store managers are responsible for receiving
5 freight shipments and maintaining an accurate count of merchandise
6 received.

7 (6) Contract liquor store managers shall maintain sufficient hours of operation at convenient times to serve the public, as determined by 8 the board, and shall follow the board's guidelines for the display of 9 liquor when liquor is not allowed to be sold. No liquor sales, except 10 beer or wine under a beer and/or wine specialty shop license or beer 11 12 and/or wine grocery store license, shall be made by contract liquor 13 store managers on Sundays unless RCW 66.16.080 is modified or repealed 14 to allow such sales. Contract liquor stores may open or close on state holidays at the discretion of the contract liquor store manager. 15

16 (7) Contract liquor store managers shall request the liquor items 17 offered by the contract liquor store for sale each week. The weekly 18 requisitions shall be based on what may be reasonably expected to meet 19 customer and licensee demand, subject to the restrictions on total 20 inventory specified in section 6 of this act.

(8) Contract liquor store managers shall adhere to the policy and guidelines of the board concerning the operation of the contract liquor store related to the control of the board's assets and comply with legal requirements under local, state, and federal law.

25 (9) Contract liquor store managers shall comply with advertising 26 restrictions in accordance with RCW 66.08.060.

(10) Contract liquor store managers shall comply with the use of
the Washington state insignia or references to the board's restrictions
in accordance with rules adopted by the department.

30 (11) Contract liquor store managers may also hold or apply for a 31 license to sell beer under a beer and/or wine specialty shop license 32 under RCW 66.24.371 or a beer and/or wine grocery store license under 33 RCW 66.24.360. If licensed, the contract liquor store manager may sell 34 beer purchased from a duly licensed beer distributor, on the premises 35 of the contract liquor store.

36 (12) Contract liquor store managers shall not sell liquor other37 than at the contract liquor store premises, unless licensed to do so.

1 (13) Contract liquor store managers shall not deliver any liquor to 2 a purchaser at a location other than the contract liquor store.

3 (14) Contract liquor store managers shall not withdraw or allow to
4 be withdrawn merchandise for any purpose other than sale at current
5 board prices. Damaged or defective merchandise may be destroyed in
6 accordance with procedures adopted by rule by the department.

7 (15) All expenses for employees hired by contract liquor store 8 managers are the responsibility of the contract liquor store manager. 9 Contract liquor store managers must provide training to employees 10 regarding the rules and regulations that apply to contract liquor 11 stores.

(16) Contract liquor store managers must secure board approval prior to moving a store to a new location. The board must follow all public notice requirements specified in RCW 66.24.010.

(17) Contract liquor store managers shall not sell or allow to be sold, any liquor, owned by the board, except for cash or credit or debit cards presented at the time of sale.

Personal or business checks may be accepted as cash, but the contract liquor store manager is responsible for their value. The board will accept responsibility for check value, when the board has authorized acceptance of the check from a licensee account, as a result of a letter of credit from the licensee's bank, or an agreement which has been properly completed and is on file with the board.

(18) Contract liquor store managers must open the contract liquor store and its books and records at any reasonable time to inspection and audit by the board, the state auditor, the legislative evaluation and accountability program, and the joint legislative audit and review committee.

<u>NEW SECTION.</u> Sec. 13. (1) In addition to other provisions of law,
 it is unlawful for any contract liquor store manager or employee to:
 (a) Sell or offer for sale any liquor other than from the original

32 package or container;

33 (b) Sell, give away, or permit the sale, gift, or procurement of 34 any liquor for or to any person under twenty-one years of age;

35 (c) Sell, give away, or permit the sale, gift, or procurement of36 any liquor for or to any person apparently intoxicated;

(d) Permit the consumption of any spirits, strong beer, or alcohol
 on the premises by any person;

3 (e) Alter, change, or misrepresent the quality, quantity, or brand
4 name of any liquor with the intent to defraud;

5 (f) Permit any person under twenty-one years of age to sell or give 6 liquor to any other person, except to assist a cashier who is twenty-7 one years of age or older; or

8 (g) Purchase or otherwise obtain liquor in any manner or from any 9 source other than that specifically authorized in this title.

(2) Violations of any provision of this chapter or any rule adopted 10 by the board, or any false statement concerning any material fact, or 11 omission of any material fact in submitting an application for a 12 contract liquor store agreement or in any hearing concerning the 13 suspension or revocation of a contract liquor store agreement, or the 14 commission of any of the acts declared in this chapter to be unlawful, 15 is subject to disciplinary action by the board, including suspension or 16 17 revocation of the contract liquor store agreement. No fees paid for the contract liquor store agreement will be refunded. The board shall 18 develop rules to implement and enforce this subsection and may assess 19 an administrative penalty for violations. 20

(3) Nothing in this chapter or any rule of the board prevents or prohibits any contract liquor store manager from employing any person who is at least eighteen years of age to serve in any contract liquor store, or from having a person assist a person twenty-one years of age or older who handles, sells, or delivers spirits, strong beer, or alcohol under this chapter.

NEW SECTION. Sec. 14. (1) The board shall assume liability for loss of board-owned property when a burglary, robbery, fire, or loss due to an act of nature occurs, as long as the contract liquor store manager has implemented reasonable precautions as determined by rule by the department. Loss prevention measures and precautions will be reviewed, and revised annually if necessary, by agreement of the board and the contract liquor store manager.

34 (2) The contract liquor store manager is responsible for providing
 35 adequate insurance coverage at his or her own expense to protect
 36 against his or her portion of the legal liability arising out of
 37 activities as a contract liquor store manager.

(3) The contract liquor store manager shall provide a certificate
 of liability insurance from the insurance carrier to the board.

3 (4) The contract liquor store manager is an independent contractor. 4 Neither the contract liquor store manager nor the contract liquor store 5 manager's employees are employees of the board, and are not entitled to 6 any of the rights, benefits, or privileges accorded to employees of the 7 state of Washington.

8 (5) Any claims or damages arising out of the contract liquor store 9 manager's operation of a nonliquor sales business or sales of goods 10 other than liquor are the contract liquor store manager's sole 11 responsibility. The contract liquor store manager indemnifies the 12 board for any damages and costs of suit, however denominated, arising 13 from those activities.

14 (6) The board assumes no liability with respect to any bodily 15 injury, the contract liquor store manager's portion of liquor 16 liability, illness, accident, theft, or any other damages or losses 17 concerning persons or property, except as provided in subsection (1) of 18 this section.

NEW SECTION. Sec. 15. The joint legislative audit and review 19 committee is directed to study the impacts of further contracting out 20 21 the state's retail sale of liquor, and to deliver a report on their findings to the legislature by December 31, 2009. 22 The legislature 23 directs that the impacts to be studied shall include, but shall not be 24 limited to: Underage access to alcohol in state retail liquor stores and contract liquor stores; alcohol consumption rates; state revenue; 25 26 traffic accidents and fatalities related to alcohol use; and crimes 27 directly related to alcohol use.

NEW SECTION. Sec. 16. (1) For the purpose of carrying into effect the provisions of this chapter according to their true intent or of supplying any deficiency therein, the board may make regulations not inconsistent with the spirit of this chapter as deemed necessary or advisable. All regulations shall be a public record, filed in the office of the code reviser, and have the same force and effect as if incorporated in this chapter.

35 (2) Without limiting the generality of the provisions contained in

1 subsection (1) of this section, it is declared that the power of the 2 board to make regulations in the manner set out in subsection (1) of 3 this section shall extend to:

4 (a) Regulating the equipment and management of contract liquor
5 stores in which state liquor is sold or kept, prescribing the books and
6 records to be kept, and the reports to be made to the board;

7 (b) Prescribing the duties of contract liquor store managers and 8 their employees, and regulating their conduct in the discharge of their 9 duties;

10 (c) Governing the purchase of liquor by the state and the 11 furnishing of liquor to contract liquor stores established under this 12 chapter;

(d) Determining the classes, varieties, and brands of liquor to bekept for sale at any contract liquor store;

(e) Prescribing, subject to RCW 66.16.080, the hours during which the contract liquor stores shall be kept open for the sale of liquor, and procedures for the display of liquor when the stores are open, but not allowed to sell liquor;

(f) Providing for the issuing and distributing of price lists showing the price to be paid by purchasers for each variety of liquor kept for sale under this chapter;

(g) Prescribing an official seal and official labels and stamps and determining the manner in which they shall be attached to every package of liquor sold or sealed under this title, including the prescribing of different official seals or different official labels for different classes of liquor;

(h) Providing for the payment by the board in whole or in part ofthe carrying charges on liquor shipped by freight or express;

(i) Prescribing forms to be used for purposes of this chapter or 29 the regulations, and the terms and conditions to be contained in 30 contract liquor store agreements issued under this title, and the 31 32 qualifications for receiving a contract liquor store agreement issued under this chapter, including a criminal history record information 33 The board may submit the criminal history record information 34 check. check to the Washington state patrol and to the identification division 35 of the federal bureau of investigation in order that these agencies may 36 37 search their records for prior arrests and convictions of the

individual or individuals who filled out the forms. The board shall require fingerprinting of any applicant whose criminal history record information check is submitted to the federal bureau of investigation; (j) Prescribing the fees payable in respect of contract liquor store agreements issued under this chapter for which no fees are prescribed in this chapter, and prescribing the fees for anything done or permitted to be done under the regulations.

8 **Sec. 17.** RCW 66.08.026 and 2004 c 63 s 1 are each amended to read 9 as follows:

10 All administrative expenses of the board incurred on and after 11 April 1, 1963, shall be appropriated and paid from the liquor revolving 12 fund. These administrative expenses shall include, but not be limited to: The salaries and expenses of the board and its employees, the cost 13 of establishing, leasing, maintaining, and operating state liquor 14 stores and warehouses, legal services, pilot projects, annual or other 15 16 audits, and other general costs of conducting the business of the board, and the costs of supplying, installing, and maintaining 17 equipment used in state liquor stores and agency liquor vendor stores 18 for the purchase of liquor using debit or credit cards. 19 The 20 administrative expenses shall not, however, be deemed to include costs 21 of liquor and lottery tickets purchased, the cost of transportation and delivery to the point of distribution, other costs pertaining to the 22 23 acquisition and receipt of liquor and lottery tickets, packaging and 24 repackaging of liquor, ((agency)) commissions for ((agency)) contract liquor ((vendor)) stores, transaction fees associated with credit or 25 26 debit card purchases for liquor in state liquor stores and in the ((stores of agency)) contract liquor ((vendors)) stores pursuant to RCW 27 66.16.040 and 66.16.041, sales tax, and those amounts distributed 28 pursuant to RCW 66.08.180, 66.08.190, 66.08.200, 66.08.210 29 and ((Agency)) <u>Commissions</u> for ((agency)) <u>contract</u> liquor 30 66.08.220. 31 ((vendor)) stores shall be established by the liquor control board after consultation with and approval by the director of the office of 32 financial management. All expenditures and payment of obligations 33 34 authorized by this section are subject to the allotment requirements of 35 chapter 43.88 RCW.

1 Sec. 18. RCW 66.08.150 and 2003 c 320 s 1 are each amended to read
2 as follows:

3 (1) The action, order, or decision of the board as to any denial of 4 an application for the reissuance of a permit or license or as to any 5 revocation, suspension, or modification of any permit ((or)), license, 6 <u>or contract liquor store agreement</u> shall be an adjudicative proceeding 7 and subject to the applicable provisions of chapter 34.05 RCW.

8 (((1))) <u>(2)</u> An opportunity for a hearing may be provided an 9 applicant for the reissuance of a permit or license prior to the 10 disposition of the application, and if no such opportunity for a prior 11 hearing is provided then an opportunity for a hearing to reconsider the 12 application must be provided the applicant.

13 (((2))) (3) An opportunity for a hearing must be provided a 14 permittee ((0r)), licensee, or contract liquor store manager prior to 15 a revocation or modification of any permit ((0r)), license, or contract 16 liquor store agreement and, except as provided in subsection (((4)))17 (5) of this section, prior to the suspension of any permit ((0r)), 18 license, or contract liquor store agreement.

19 (((3))) (4) No hearing shall be required until demanded by the 20 applicant, permittee, ((9r)) licensee, or contract liquor store 21 manager.

22 (((4))) (5) The board may summarily suspend a license $((or))_{L}$ permit, or contract liquor store agreement for a period of up to one 23 24 hundred eighty days without a prior hearing if it finds that public 25 health, safety, or welfare imperatively require emergency action, and incorporates a finding to that effect in its order; and proceedings for 26 27 revocation or other action must be promptly instituted and determined. The board's enforcement division shall complete a preliminary staff 28 investigation of the violation before requesting an 29 emergency 30 suspension by the board.

31 **Sec. 19.** RCW 66.08.220 and 1999 c 281 s 2 are each amended to read 32 as follows:

The board shall set aside in a separate account in the liquor revolving fund an amount equal to ten percent of its gross sales of liquor, including sales by contract liquor stores, to spirits, beer, and wine restaurant; spirits, beer, and wine private club; and sports entertainment facility licensees collected from these licensees

pursuant to the provisions of RCW 82.08.150, less the fifteen percent 1 2 discount provided for in RCW 66.24.440; and the moneys in said separate account shall be distributed in accordance with the provisions of RCW 3 66.08.190, 66.08.200 and 66.08.210: 4 PROVIDED, HOWEVER, That no election unit in which the sale of liquor under spirits, beer, and wine 5 spirits, beer, and wine private club; 6 restaurant; and sports 7 entertainment facility licenses is unlawful shall be entitled to share 8 in the distribution of moneys from such separate account.

9 **Sec. 20.** RCW 66.24.440 and 1998 c 126 s 8 are each amended to read 10 as follows:

Each spirits, beer, and wine restaurant, spirits, beer, and wine private club, and sports entertainment facility licensee shall be entitled to purchase any spirituous liquor items salable under such license from the board, including contract liquor stores, at a discount of not less than fifteen percent from the retail price fixed by the board, together with all taxes.

17 **Sec. 21.** RCW 66.08.050 and 1997 c 228 s 1 are each amended to read 18 as follows:

19 The board, subject to the provisions of this title and the rules, 20 shall:

(1) Determine the localities within which state liquor stores shall
be established throughout the state, and the number and situation of
the stores within each locality;

(2) Appoint in cities and towns and other communities, in which no 24 25 state liquor store is located, <u>contract</u> liquor ((vendors)) <u>stores</u>. In addition, the board may appoint, in its discretion, a manufacturer that 26 also manufactures liquor products other than wine under a license under 27 this title, as a vendor for the purpose of sale of liquor products of 28 29 its own manufacture on the licensed premises only. Such liquor vendors 30 shall be agents of the board and be authorized to sell liquor to such persons, firms or corporations as provided for the sale of liquor from 31 a state liquor store, and such vendors shall be subject to such 32 additional rules and regulations consistent with this title as the 33 34 board may require;

35 (3) Establish all necessary warehouses for the storing and

bottling, diluting and rectifying of stocks of liquors for the purposes
 of this title;

3 (4) Provide for the leasing for periods not to exceed ten years of 4 all premises required for the conduct of the business; and for 5 remodeling the same, and the procuring of their furnishings, fixtures, 6 and supplies; and for obtaining options of renewal of such leases by 7 the lessee. The terms of such leases in all other respects shall be 8 subject to the direction of the board;

9 (5) Determine the nature, form and capacity of all packages to be 10 used for containing liquor kept for sale under this title;

(6) Execute or cause to be executed, all contracts, papers, and documents in the name of the board, under such regulations as the board may fix;

14 (7) Pay all customs, duties, excises, charges and obligations15 whatsoever relating to the business of the board;

16 (8) Require bonds from all employees in the discretion of the 17 board, and to determine the amount of fidelity bond of each such 18 employee;

19 (9) Perform services for the state lottery commission to such 20 extent, and for such compensation, as may be mutually agreed upon 21 between the board and the commission;

22 (10) Accept and deposit into the general fund-local account and disburse, subject to appropriation, federal grants or other funds or 23 24 donations from any source for the purpose of improving public awareness 25 of the health risks associated with alcohol consumption by youth and the abuse of alcohol by adults in Washington state. The board's 26 27 alcohol awareness program shall cooperate with federal and state agencies, interested organizations, and individuals to effect an active 28 public beverage alcohol awareness program; 29

(11) Perform all other matters and things, whether similar to the 30 foregoing or not, to carry out the provisions of this title, and shall 31 32 have full power to do each and every act necessary to the conduct of its business, including all buying, selling, preparation and approval 33 of forms, and every other function of the business whatsoever, subject 34 only to audit by the state auditor: PROVIDED, That the board shall 35 have no authority to regulate the content of spoken language on 36 37 licensed premises where wine and other liquors are served and where

there is not a clear and present danger of disorderly conduct being
 provoked by such language.

3 **Sec. 22.** RCW 66.08.235 and 2002 c 371 s 918 are each amended to 4 read as follows:

5 The liquor control board construction and maintenance account is 6 created within the state treasury. The liquor control board shall 7 deposit into this account a portion of the board's markup, as authorized by chapter 66.16 RCW, placed upon liquor as determined by 8 9 the board. Moneys in the account may be spent only after 10 appropriation. The liquor control board shall use deposits to this 11 account to fund construction and maintenance of a centralized 12 distribution center for liquor products intended for sale through the board's liquor store and ((vendor)) contract liquor store system. 13 During the 2001-2003 fiscal biennium, the legislature may transfer from 14 the liquor control board construction and maintenance account to the 15 16 state general fund such amounts as reflect the appropriations 17 reductions made by the 2002 supplemental appropriations act for administrative efficiencies and savings. 18

19 Sec. 23. RCW 66.04.010 and 2004 c 160 s 1 are each amended to read 20 as follows:

21

In this title, unless the context otherwise requires:

22 (1) "Alcohol" is that substance known as ethyl alcohol, hydrated 23 oxide of ethyl, or spirit of wine, which is commonly produced by the 24 fermentation or distillation of grain, starch, molasses, or sugar, or other substances including all dilutions and mixtures of this 25 The term "alcohol" does not include alcohol in the 26 substance. possession of a manufacturer or distiller of alcohol fuel, as described 27 in RCW 66.12.130, which is intended to be denatured and used as a fuel 28 for use in motor vehicles, farm implements, and machines or implements 29 30 of husbandry.

31

(2) "Authorized representative" means a person who:

32 (a) Is required to have a federal basic permit issued pursuant to
 33 the federal alcohol administration act, 27 U.S.C. Sec. 204;

34 (b) Has its business located in the United States outside of the 35 state of Washington;

1 (c) Acquires ownership of beer or wine for transportation into and 2 resale in the state of Washington; and which beer or wine is produced 3 anywhere outside Washington by a brewery or winery which does not hold 4 a certificate of approval issued by the board; and

5 (d) Is appointed by the brewery or winery referenced in (c) of this subsection as its exclusive authorized representative for marketing and 6 7 selling its products within the United States in accordance with a written agreement between the authorized representative and such 8 brewery or winery pursuant to this title. 9 The board may waive the requirement for the written agreement of exclusivity in situations 10 consistent with the normal marketing practices of certain products, 11 12 such as classified growths.

(3) "Beer" means any malt beverage or malt liquor as these termsare defined in this chapter.

15 (4) "Beer distributor" means a person who buys beer from a domestic 16 brewery, microbrewery, beer certificate of approval holder, or beer 17 importers, or who acquires foreign produced beer from a source outside 18 of the United States, for the purpose of selling the same pursuant to 19 this title, or who represents such brewer or brewery as agent.

(5) "Beer importer" means a person or business within Washington who purchases beer from a beer certificate of approval holder or who acquires foreign produced beer from a source outside of the United States for the purpose of selling the same pursuant to this title.

24 (6) "Brewer" or "brewery" means any person engaged in the business 25 of manufacturing beer and malt liquor. Brewer includes a brand owner of malt beverages who holds a brewer's notice with the federal bureau 26 27 of alcohol, tobacco, and firearms at a location outside the state and whose malt beverage is contract-produced by a licensed in-state 28 brewery, and who may exercise within the state, under a domestic 29 brewery license, only the privileges of storing, selling to licensed 30 31 beer distributors, and exporting beer from the state.

32 (7) "Board" means the liquor control board, constituted under this33 title.

(8) "Club" means an organization of persons, incorporated or
 unincorporated, operated solely for fraternal, benevolent, educational,
 athletic or social purposes, and not for pecuniary gain.

37 (9) "Consume" includes the putting of liquor to any use, whether by38 drinking or otherwise.

(10) "Dentist" means a practitioner of dentistry duly and regularly
 licensed and engaged in the practice of his profession within the state
 pursuant to chapter 18.32 RCW.

4 (11) "Distiller" means a person engaged in the business of 5 distilling spirits.

6 (12) "Domestic brewery" means a place where beer and malt liquor 7 are manufactured or produced by a brewer within the state.

8 (13) "Domestic winery" means a place where wines are manufactured 9 or produced within the state of Washington.

10 (14) "Druggist" means any person who holds a valid certificate and 11 is a registered pharmacist and is duly and regularly engaged in 12 carrying on the business of pharmaceutical chemistry pursuant to 13 chapter 18.64 RCW.

14 (15) "Drug store" means a place whose principal business is, the 15 sale of drugs, medicines and pharmaceutical preparations and maintains 16 a regular prescription department and employs a registered pharmacist 17 during all hours the drug store is open.

18 (16) "Employee" means any person employed by the board((, including 19 a vendor, as hereinafter in this section defined)).

20

(17) "Fund" means 'liquor revolving fund.'

21 (18) "Hotel" means every building or other structure kept, used, 22 maintained, advertised or held out to the public to be a place where food is served and sleeping accommodations are offered for pay to 23 24 transient guests, in which twenty or more rooms are used for the 25 sleeping accommodation of such transient guests and having one or more dining rooms where meals are served to such transient guests, such 26 27 sleeping accommodations and dining rooms being conducted in the same building and buildings, in connection therewith, and such structure or 28 structures being provided, in the judgment of the board, with adequate 29 and sanitary kitchen and dining room equipment and capacity, for 30 31 preparing, cooking and serving suitable food for its guests: PROVIDED 32 FURTHER, That in cities and towns of less than five thousand population, the board shall have authority to waive the provisions 33 34 requiring twenty or more rooms.

35 (19) "Importer" means a person who buys distilled spirits from a 36 distillery outside the state of Washington and imports such spirituous 37 liquor into the state for sale to the board or for export.

38

(20) "Imprisonment" means confinement in the county jail.

(21) "Liquor" includes the four varieties of liquor herein defined 1 2 (alcohol, spirits, wine and beer), and all fermented, spirituous, vinous, or malt liquor, or combinations thereof, and mixed liquor, a 3 part of which is fermented, spirituous, vinous or malt liquor, or 4 otherwise intoxicating; and every liquid or solid or semisolid or other 5 substance, patented or not, containing alcohol, spirits, wine or beer, 6 7 and all drinks or drinkable liquids and all preparations or mixtures capable of human consumption, and any liquid, semisolid, solid, or 8 9 other substance, which contains more than one percent of alcohol by weight shall be conclusively deemed to be intoxicating. Liquor does 10 not include confections or food products that contain one percent or 11 12 less of alcohol by weight.

13 (22) "Manufacturer" means a person engaged in the preparation of 14 liquor for sale, in any form whatsoever.

(23) "Malt beverage" or "malt liquor" means any beverage such as 15 16 beer, ale, lager beer, stout, and porter obtained by the alcoholic 17 fermentation of an infusion or decoction of pure hops, or pure extract 18 of hops and pure barley malt or other wholesome grain or cereal in pure 19 water containing not more than eight percent of alcohol by weight, and not less than one-half of one percent of alcohol by volume. For the 20 21 purposes of this title, any such beverage containing more than eight 22 percent of alcohol by weight shall be referred to as "strong beer."

(24) "Package" means any container or receptacle used for holdingliquor.

25 (25) "Permit" means a permit for the purchase of liquor under this 26 title.

(26) "Person" means an individual, copartnership, association, orcorporation.

(27) "Physician" means a medical practitioner duly and regularly
 licensed and engaged in the practice of his profession within the state
 pursuant to chapter 18.71 RCW.

32 (28) "Prescription" means a memorandum signed by a physician and 33 given by him to a patient for the obtaining of liquor pursuant to this 34 title for medicinal purposes.

35 (29) "Public place" includes streets and alleys of incorporated 36 cities and towns; state or county or township highways or roads; 37 buildings and grounds used for school purposes; public dance halls and 38 grounds adjacent thereto; those parts of establishments where beer may

be sold under this title, soft drink establishments, public buildings, 1 2 public meeting halls, lobbies, halls and dining rooms of hotels, restaurants, theatres, stores, garages and filling stations which are 3 open to and are generally used by the public and to which the public is 4 5 permitted to have unrestricted access; railroad trains, stages, and other public conveyances of all kinds and character, and the depots and б 7 waiting rooms used in conjunction therewith which are open to unrestricted use and access by the public; publicly owned bathing 8 9 beaches, parks, and/or playgrounds; and all other places of like or 10 similar nature to which the general public has unrestricted right of access, and which are generally used by the public. 11

12 (30) "Regulations" means regulations made by the board under the 13 powers conferred by this title.

(31) "Restaurant" means any establishment provided with special
space and accommodations where, in consideration of payment, food,
without lodgings, is habitually furnished to the public, not including
drug stores and soda fountains.

(32) "Sale" and "sell" include exchange, barter, and traffic; and 18 also include the selling or supplying or distributing, by any means 19 20 whatsoever, of liquor, or of any liquid known or described as beer or 21 by any name whatever commonly used to describe malt or brewed liquor or 22 of wine, by any person to any person; and also include a sale or selling within the state to a foreign consignee or his agent in the 23 24 "Sale" and "sell" shall not include the giving, at no charge, state. 25 of a reasonable amount of liquor by a person not licensed by the board to a person not licensed by the board, for personal use only. "Sale" 26 27 and "sell" also does not include a raffle authorized under RCW 9.46.0315: PROVIDED, That the nonprofit organization conducting the 28 raffle has obtained the appropriate permit from the board. 29

30 (33) "Soda fountain" means a place especially equipped with 31 apparatus for the purpose of dispensing soft drinks, whether mixed or 32 otherwise.

33 (34) "Spirits" means any beverage which contains alcohol obtained 34 by distillation, including wines exceeding twenty-four percent of 35 alcohol by volume.

36 (35) "Store" means a state liquor store established under this 37 title.

1 (36) "Tavern" means any establishment with special space and 2 accommodation for sale by the glass and for consumption on the 3 premises, of beer, as herein defined.

4 (37) (("Vendor" means a person employed by the board as a store 5 manager under this title.

6 (38))) "Winery" means a business conducted by any person for the
7 manufacture of wine for sale, other than a domestic winery.

((((39))) <u>(38)</u> "Wine" means any alcoholic beverage obtained by 8 fermentation of fruits (grapes, berries, apples, et cetera) or other 9 agricultural product containing sugar, to which any saccharine 10 substances may have been added before, during or after fermentation, 11 12 and containing not more than twenty-four percent of alcohol by volume, 13 including sweet wines fortified with wine spirits, such as port, 14 sherry, muscatel and angelica, not exceeding twenty-four percent of alcohol by volume and not less than one-half of one percent of alcohol 15 16 by volume. For purposes of this title, any beverage containing no more 17 than fourteen percent of alcohol by volume when bottled or packaged by the manufacturer shall be referred to as "table wine," and any beverage 18 containing alcohol in an amount more than fourteen percent by volume 19 when bottled or packaged by the manufacturer shall be referred to as 20 21 "fortified wine." However, "fortified wine" shall not include: (a) 22 Wines that are both sealed or capped by cork closure and aged two years or more; and (b) wines that contain more than fourteen percent alcohol 23 24 by volume solely as a result of the natural fermentation process and 25 that have not been produced with the addition of wine spirits, brandy, 26 or alcohol.

This subsection shall not be interpreted to require that any wine be labeled with the designation "table wine" or "fortified wine."

29 (((40))) <u>(39)</u> "Wine distributor" means a person who buys wine from 30 a domestic winery, wine certificate of approval holder, or wine 31 importer, or who acquires foreign produced wine from a source outside 32 of the United States, for the purpose of selling the same not in 33 violation of this title, or who represents such vintner or winery as 34 agent.

35 (((41))) <u>(40)</u> "Wine importer" means a person or business within 36 Washington who purchases wine from a wine certificate of approval 37 holder or who acquires foreign produced wine from a source outside of

1 the United States for the purpose of selling the same pursuant to this 2 title.

3 **Sec. 24.** RCW 66.16.030 and 1933 ex.s. c 62 s 6 are each amended to 4 read as follows:

5 The sale of liquor at each state liquor store shall be conducted by 6 a person employed under this title ((to be known as a "vendor,")) who 7 shall, together with the employees under his direction, under the 8 regulations of the board, be responsible for the carrying out of this 9 title and the regulations, so far as they relate to the conduct of the 10 store and the sale of liquor thereat.

11 **Sec. 25.** RCW 66.16.040 and 2004 c 61 s 1 are each amended to read 12 as follows:

Except as otherwise provided by law, an employee in a state liquor 13 14 store or ((agency)) contract liquor store may sell liquor to any person 15 of legal age to purchase alcoholic beverages and may also sell to holders of permits such liquor as may be purchased under such permits. 16 Where there may be a question of a person's right to purchase 17 18 liquor by reason of age, such person shall be required to present any one of the following officially issued cards of identification which 19 20 shows his/her correct age and bears his/her signature and photograph:

(1) Liquor control authority card of identification of any state orprovince of Canada.

(2) Driver's license, instruction permit or identification card of
 any state or province of Canada, or "identicard" issued by the
 Washington state department of licensing pursuant to RCW 46.20.117.

(3) United States armed forces identification card issued to active
duty, reserve, and retired personnel and the personnel's dependents,
which may include an imbedded, digital signature in lieu of a visible
signature.

30 (4) Passport.

(5) Merchant Marine identification card issued by the United StatesCoast Guard.

The board may adopt such regulations as it deems proper covering the cards of identification listed in this section.

No liquor sold under this section shall be delivered until the purchaser has paid for the liquor in cash, except as allowed under RCW

1 66.16.041. The use of a personal credit card does not rely upon the 2 credit of the state as prohibited by Article VIII, section 5 of the 3 state Constitution.

4 Sec. 26. RCW 66.20.160 and 1973 1st ex.s. c 209 s 4 are each 5 amended to read as follows:

6 Words and phrases as used in RCW 66.20.160 to 66.20.210, inclusive,7 shall have the following meaning:

8 "Card of identification" means any one of those cards described in9 RCW 66.16.040.

10 <u>"Contract liquor store employee" means a contract liquor store</u> 11 <u>manager or a person employed in a contract liquor store to sell liquor.</u> 12 "Licensee" means the holder of a retail liquor license issued by 13 the board, and includes any employee or agent of the licensee.

14 "Store employee" means a person employed in a state liquor store 15 ((or agency)) to sell liquor.

16 **Sec. 27.** RCW 66.20.180 and 1973 1st ex.s. c 209 s 6 are each 17 amended to read as follows:

A card of identification shall be presented by the holder thereof 18 upon request of any licensee, store employee, peace officer, 19 or 20 enforcement officer of the board for the purpose of aiding the licensee, store employee, peace officer, or enforcement officer of the 21 board to determine whether or not such person is of legal age to 22 purchase liquor when such person desires to procure liquor from a 23 24 licensed establishment or state liquor store or ((agency)) contract 25 <u>liquor store</u>.

26 **Sec. 28.** RCW 66.24.380 and 2004 c 133 s 2 are each amended to read 27 as follows:

There shall be a retailer's license to be designated as a special occasion license to be issued to a not-for-profit society or organization to sell spirits, beer, and wine by the individual serving for on-premises consumption at a specified event, such as at picnics or other special occasions, at a specified date and place; fee sixty dollars per day.

34 (1) The not-for-profit society or organization is limited to sales35 of no more than twelve calendar days per year. For the purposes of

this subsection, special occasion licensees that are "agricultural area 1 2 fairs" or "agricultural county, district, and area fairs," as defined by RCW 15.76.120, that receive a special occasion license may, once per 3 calendar year, count as one event fairs that last multiple days, so 4 5 long as alcohol sales are at set dates, times, and locations, and the board receives prior notification of the dates, times, and locations. 6 7 The special occasion license applicant will pay the sixty dollars per 8 day for this event.

9 (2) The licensee may sell beer and/or wine in original, unopened 10 containers for off-premises consumption if permission is obtained from 11 the board prior to the event.

(3) Sale, service, and consumption of spirits, beer, and wine is tobe confined to specified premises or designated areas only.

(4) Spirituous liquor sold under this special occasion license must
 be purchased at a state liquor store or ((agency)) contract liquor
 <u>store</u> without discount at retail prices, including all taxes.

17 (5) Any violation of this section is a class 1 civil infraction 18 having a maximum penalty of two hundred fifty dollars as provided for 19 in chapter 7.80 RCW.

20 <u>NEW SECTION.</u> Sec. 29. Sections 1 through 16 of this act 21 constitute a new chapter in Title 66 RCW."

<u>SSB 5487</u> - S AMD 251 By Senator Sheldon

On page 1, line 1 of the title, after "Relating to" strike the remainder of the title and insert "the privatization of liquor sales; amending RCW 66.08.026, 66.08.150, 66.08.220, 66.24.440, 66.08.050, 66.08.235, 66.04.010, 66.16.030, 66.16.040, 66.20.160, 66.20.180, and 66.24.380; adding a new chapter to Title 66 RCW; and providing an expiration date."

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