

HOUSE BILL REPORT

HB 1036

*As Reported By House Committee on:
State Government*

Title: An act relating to organization of the liquor control board.

Brief Description: Creating the office of director for the liquor control board.

Sponsor(s): Representatives Valle, McLean, H. Sommers, Vance, Wineberry, Sheldon and Anderson; by request of Governor Gardner.

Brief History:

Reported by House Committee on:
State Government, March 5, 1991, DPS.

**HOUSE COMMITTEE ON
STATE GOVERNMENT**

Majority Report: *That Substitute House Bill No. 1036 be substituted therefor, and the substitute bill do pass.*
Signed by 6 members: Representatives Anderson, Chair; Pruitt, Vice Chair; R. Fisher; Grant; O'Brien; and Sheldon.

Minority Report: *Do not pass.* Signed by 4 members: Representatives McLean, Ranking Minority Member; Bowman, Assistant Ranking Minority Member; Chandler; and Moyer.

Staff: Linda May (786-7135).

Background: The Washington State Liquor Control Board was established in 1933 and manages all activities relating to the sale of alcoholic beverages. Activities include operation of state liquor stores, licensing of retail outlets, and enforcement of liquor laws. Board operations are a \$350 million per year business and generate over \$1 in taxes and excess revenue.

The board is composed of three full-time members. The governor appoints the members and designates one as chair. Each board member administers some aspect of the liquor control operation. Changes in policy require a majority vote of the board.

Summary of Substitute Bill: The existing three-member Liquor Control Board becomes a part-time rule-making body. This group retains the responsibility for adopting rules in areas such as determining the classes, varieties, and brands sold in stores; prescribing how records must be kept; and prescribing the fees to be paid for various licenses and permits. In addition to retaining rule-making authority, the three-member board continues to determine the location and number of state liquor stores and vendors, and this body makes the final decision in any adjudicative proceedings.

The Washington State Liquor Control Agency is established as a state agency. The governor appoints an agency director, subject to confirmation by the Senate. The director serves at the pleasure of, and is paid a salary determined by, the governor. Authority for the general administration of the agency transfers from the three-member board to the director. For example, the director is responsible for supervising and administering the operations of the agency, hiring personnel, and entering into contracts for the agency.

The director is required to prepare and execute an integrated liquor control plan which includes at least 1) a program to integrate the regulatory, merchandising, and administrative responsibilities of the agency, 2) a program of public information regarding alcohol abuse prevention, and 3) a strategy for implementing the integrated plan.

The code reviser is directed to prepare and present to the 1992 Legislature a bill which corrects statutory references to the Liquor Control Board that are no longer accurate because of this legislation.

Substitute Bill Compared to Original Bill: In the original bill, the name of the agency established in the legislation was the Liquor Control Board. In the substitute, the name of the agency is the Liquor Control Agency. In the original bill, the part-time rule-making body was called the "members of the board." In the substitute bill, the name "Liquor Control Board" is retained for the three-member board. The substitute clarifies that, rather than creating a new agency, the bill renames an existing agency and then provides for a new internal administrative structure. The substitute bill also directs the code reviser to prepare and present to the 1992 Legislature a bill which corrects references to the Liquor Control Board which are rendered inaccurate by this legislation.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect on January 1, 1992.

Testimony For: This is an accountability measure. The board is a \$300 million company without a chief executive officer. The protections against corruption that were necessary when the board was created are no longer needed in today's institutional setting. The board retains some politically sensitive decisions and is there for appeals. The governor should hire and fire those who run state agencies. It is difficult to run a business by committee. It is sometimes difficult to work with the agency the way it is currently structured.

Testimony Against: The board should have five members instead of three. There should be more detail on the requirements of the director. There should be a better appeals process, especially on licensing reviews. Having the governor appoint the director opens the process to graft.

Witnesses: Representative Georgette Valle; Fred Hellberg, Governor's Office; Mike Murphy and Paula O'Connor, Liquor Control Board; Lane Premo and Bob Van Schoorl, Efficiency Commission; Susie Tracy, Washington State Medical Association; Gene Vosberg, Jack Rabourn and Bob Seeber, Restaurant Association of the State of Washington; Ann Blair, Children's Trust Foundation (all in favor); and Robert Smith, Reporter Newspapers (opposed).