Z-0706.2		

SENATE BILL 6065

State of Washington 61st Legislature 2009 Regular Session

By Senators Fairley and Shin; by request of Governor Gregoire

Read first time 02/20/09. Referred to Committee on Government Operations & Elections.

AN ACT Relating to the structure and authority of the liquor control board; amending RCW 66.04.010, 66.08.012, 66.08.014, 66.08.022, 66.08.050, 66.08.0501, 66.08.150, and 66.08.166; adding a new section to chapter 66.08 RCW; repealing RCW 66.08.020; providing an effective date; and declaring an emergency.

- 6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:
- 7 **Sec. 1.** RCW 66.04.010 and 2008 c 94 s 4 are each amended to read 8 as follows:
- 9 In this title, unless the context otherwise requires:
- 10 (1) "Alcohol" is that substance known as ethyl alcohol, hydrated 11 oxide of ethyl, or spirit of wine, which is commonly produced by the fermentation or distillation of grain, starch, molasses, or sugar, or 12 13 substances including all dilutions and mixtures of 14 The term "alcohol" does not include alcohol in the substance. 15 possession of a manufacturer or distiller of alcohol fuel, as described 16 in RCW 66.12.130, which is intended to be denatured and used as a fuel 17 for use in motor vehicles, farm implements, and machines or implements of husbandry. 18
 - (2) "Authorized representative" means a person who:

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1 (a) Is required to have a federal basic permit issued pursuant to 2 the federal alcohol administration act, 27 U.S.C. Sec. 204;

- (b) Has its business located in the United States outside of the state of Washington;
- (c) Acquires ownership of beer or wine for transportation into and resale in the state of Washington; and which beer or wine is produced anywhere outside Washington by a brewery or winery which does not hold a certificate of approval issued by the board; and
- (d) Is appointed by the brewery or winery referenced in (c) of this subsection as its exclusive authorized representative for marketing and selling its products within the United States in accordance with a written agreement between the authorized representative and such brewery or winery pursuant to this title. The board may waive the requirement for the written agreement of exclusivity in situations consistent with the normal marketing practices of certain products, such as classified growths.
- (3) "Beer" means any malt beverage, flavored malt beverage, or malt liquor as these terms are defined in this chapter.
- (4) "Beer distributor" means a person who buys beer from a domestic brewery, microbrewery, beer certificate of approval holder, or beer importers, 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, 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.
- (6) "Brewer" or "brewery" means any person engaged in the business of manufacturing beer and malt liquor. Brewer includes a brand owner of malt beverages who holds a brewer's notice with the federal bureau of alcohol, tobacco, and firearms at a location outside the state and whose malt beverage is contract-produced by a licensed in-state brewery, and who may exercise within the state, under a domestic brewery license, only the privileges of storing, selling to licensed beer distributors, and exporting beer from the state.
- 36 (7) "Board" means the liquor control board, constituted under this 37 title.

1 (8) "Board members" means the three appointed members of the liquor control board.

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- (9) "Club" means an organization of persons, incorporated or unincorporated, operated solely for fraternal, benevolent, educational, athletic or social purposes, and not for pecuniary gain.
- $((\frac{(9)}{)})$ (10) "Confection" means a preparation of sugar, honey, or other natural or artificial sweeteners in combination with chocolate, fruits, nuts, dairy products, or flavorings, in the form of bars, drops, or pieces.
- 10 $((\frac{10}{10}))$ (11) "Consume" includes the putting of liquor to any use, whether by drinking or otherwise.
- $((\frac{(11)}{(11)}))$ <u>(12)</u> "Contract liquor store" means a business that sells liquor on behalf of the board through a contract with a contract liquor store manager.
- 15 $((\frac{(12)}{(12)}))$ "Craft distillery" means a distillery that pays the reduced licensing fee under RCW 66.24.140.
- 17 $((\frac{(13)}{(14)}))$ "Dentist" means a practitioner of dentistry duly and 18 regularly licensed and engaged in the practice of his profession within 19 the state pursuant to chapter 18.32 RCW.
- 20 ((\frac{(14)}{)}) (15) "Director" means the director of the liquor control
 21 board established under this title.
- 22 <u>(16)</u> "Distiller" means a person engaged in the business of distilling spirits.
 - $((\frac{15}{15}))$ <u>(17)</u> "Domestic brewery" means a place where beer and malt liquor are manufactured or produced by a brewer within the state.
 - $((\frac{16}{16}))$ <u>(18)</u> "Domestic winery" means a place where wines are manufactured or produced within the state of Washington.
 - $((\frac{17}{17}))$ (19) "Druggist" means any person who holds a valid certificate and is a registered pharmacist and is duly and regularly engaged in carrying on the business of pharmaceutical chemistry pursuant to chapter 18.64 RCW.
- $((\frac{(18)}{(18)}))$ <u>(20)</u> "Drug store" means a place whose principal business is, the sale of drugs, medicines and pharmaceutical preparations and maintains a regular prescription department and employs a registered pharmacist during all hours the drug store is open.
- (((19))) (21) "Employee" means any person employed by the board.
- 37 $((\frac{20}{20}))$ "Flavored malt beverage" means:

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- (a) A malt beverage containing six percent or less alcohol by volume to which flavoring or other added nonbeverage ingredients are added that contain distilled spirits of not more than forty-nine percent of the beverage's overall alcohol content; or
- (b) A malt beverage containing more than six percent alcohol by volume to which flavoring or other added nonbeverage ingredients are added that contain distilled spirits of not more than one and one-half percent of the beverage's overall alcohol content.
 - $((\frac{21}{21}))$ <u>(23)</u> "Fund" means 'liquor revolving fund.'

- $((\frac{(22)}{)})$ (24) "Hotel" means buildings, structures, and grounds, having facilities for preparing, cooking, and serving food, that are kept, used, maintained, advertised, or held out to the public to be a place where food is served and sleeping accommodations are offered for pay to transient guests, in which twenty or more rooms are used for the sleeping accommodation of such transient guests. The buildings, structures, and grounds must be located on adjacent property either owned or leased by the same person or persons.
- $((\frac{23}{23}))$ (25) "Importer" means a person who buys distilled spirits from a distillery outside the state of Washington and imports such spirituous liquor into the state for sale to the board or for export.
 - (((24))) (26) "Imprisonment" means confinement in the county jail.
- ((\(\frac{(25)}{)}\)) (27) "Liquor" includes the four varieties of liquor herein defined (alcohol, spirits, wine and beer), and all fermented, spirituous, vinous, or malt liquor, or combinations thereof, and mixed liquor, a part of which is fermented, spirituous, vinous or malt liquor, or otherwise intoxicating; and every liquid or solid or semisolid or other substance, patented or not, containing alcohol, spirits, wine or beer, and all drinks or drinkable liquids and all preparations or mixtures capable of human consumption, and any liquid, semisolid, solid, or other substance, which contains more than one percent of alcohol by weight shall be conclusively deemed to be intoxicating. Liquor does not include confections or food products that contain one percent or less of alcohol by weight.
- $((\frac{26}{1}))$ "Manufacturer" means a person engaged in the preparation of liquor for sale, in any form whatsoever.
- $((\frac{(27)}{(29)}))$ "Malt beverage" or "malt liquor" means any beverage such as beer, ale, lager beer, stout, and porter obtained by the alcoholic fermentation of an infusion or decoction of pure hops, or

pure extract of hops and pure barley malt or other wholesome grain or cereal in pure 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 purposes of this title, any such beverage containing more than eight percent of alcohol by weight shall be referred to as "strong beer."

- $((\frac{28}{100}))$ "Package" means any container or receptacle used for holding liquor.
- $((\frac{(29)}{(29)}))$ <u>(31)</u> "Passenger vessel" means any boat, ship, vessel, 10 barge, or other floating craft of any kind carrying passengers for 11 compensation.
- $((\frac{30}{30}))$ <u>(32)</u> "Permit" means a permit for the purchase of liquor 13 under this title.
- $((\frac{31}{1}))$ <u>(33)</u> "Person" means an individual, copartnership, 15 association, or corporation.
- $((\frac{32}{1}))$ (34) "Physician" means a medical practitioner duly and 17 regularly licensed and engaged in the practice of his profession within 18 the state pursuant to chapter 18.71 RCW.
- $((\frac{33}{3}))$ <u>(35)</u> "Prescription" means a memorandum signed by a physician and given by him to a patient for the obtaining of liquor pursuant to this title for medicinal purposes.
 - ((+34+)) (36) "Public place" includes streets and alleys of incorporated cities and towns; state or county or township highways or roads; buildings and grounds used for school purposes; public dance halls and grounds adjacent thereto; those parts of establishments where beer may be sold under this title, soft drink establishments, public buildings, public meeting halls, lobbies, halls and dining rooms of hotels, restaurants, theatres, stores, garages and filling stations which are open to and are generally used by the public and to which the public is permitted to have unrestricted access; railroad trains, stages, and other public conveyances of all kinds and character, and the depots and waiting rooms used in conjunction therewith which are open to unrestricted use and access by the public; publicly owned bathing beaches, parks, and/or playgrounds; and all other places of like or similar nature to which the general public has unrestricted right of access, and which are generally used by the public.
- $((\frac{35}{}))$ <u>(37)</u> "Regulations" means regulations made by the board under the powers conferred by this title.

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1 (((36))) <u>(38)</u> "Restaurant" means any establishment provided with 2 special space and accommodations where, in consideration of payment, 3 food, without lodgings, is habitually furnished to the public, not 4 including drug stores and soda fountains.

(((37))) (39) "Sale" and "sell" include exchange, barter, and traffic; and also include the selling or supplying or distributing, by any means whatsoever, of liquor, or of any liquid known or described as beer or by any name whatever commonly used to describe malt or brewed liquor or 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 state. "Sale" and "sell" shall not include the giving, at no charge, 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" and "sell" also does not include a raffle authorized under RCW 9.46.0315: PROVIDED, That the nonprofit organization conducting the raffle has obtained the appropriate permit from the board.

 $((\frac{38}{38}))$ (40) "Soda fountain" means a place especially equipped with apparatus for the purpose of dispensing soft drinks, whether mixed or otherwise.

(((39))) <u>(41)</u> "Spirits" means any beverage which contains alcohol obtained by distillation, except flavored malt beverages, but including wines exceeding twenty-four percent of alcohol by volume.

 $((\frac{40}{}))$ <u>(42)</u> "Store" means a state liquor store established under this title.

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

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

((43))) (45)(a) "Wine" means any alcoholic beverage obtained by fermentation of fruits (grapes, berries, apples, et cetera) or other agricultural product containing sugar, to which any saccharine substances may have been added before, during or after fermentation, and containing not more than twenty-four percent of alcohol by volume, including sweet wines fortified with wine spirits, such as port, sherry, muscatel and angelica, not exceeding twenty-four percent of alcohol by volume and not less than one-half of one percent of alcohol by volume. For purposes of this title, any beverage containing no more

than fourteen percent of alcohol by volume when bottled or packaged by the manufacturer shall be referred to as "table wine," and any beverage containing alcohol in an amount more than fourteen percent by volume when bottled or packaged by the manufacturer shall be referred to as "fortified wine." However, "fortified wine" shall not include: (i) Wines that are both sealed or capped by cork closure and aged two years or more; and (ii) wines that contain more than fourteen percent alcohol by volume solely as a result of the natural fermentation process and that have not been produced with the addition of wine spirits, brandy, or alcohol.

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

((44))) (46) "Wine distributor" means a person who buys wine from a domestic winery, wine certificate of approval holder, or wine importer, or who acquires foreign produced wine from a source outside of the United States, for the purpose of selling the same not in violation of this title, or who represents such vintner or winery as agent.

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

Sec. 2. RCW 66.08.012 and 1961 c 307 s 7 are each amended to read as follows:

(1) There shall be a board, known as the "Washington state liquor control board," consisting of three members, to be appointed by the governor, with the consent of the senate((, who shall each be paid an annual salary to be fixed by the governor in accordance with the provisions of RCW 43.03.040)). The governor may, in his or her discretion, appoint one of the members as chair((man)) of the board, and a majority of the members shall constitute a quorum of the board.

(2) Board members shall be compensated in accordance with RCW 43.03.250 and in addition shall be reimbursed for travel expenses incurred while engaged in the business of the board as provided in RCW 43.03.050 and 43.03.060.

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1 **Sec. 3.** RCW 66.08.014 and 1986 c 105 s 1 are each amended to read 2 as follows:

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- (1) ((The members of the board to be appointed after December 2, 1948 shall be appointed for terms beginning January 15, 1949, and expiring as follows: One member of the board for a term of three years from January 15, 1949; one member of the board for a term of six years from January 15, 1949; and one member of the board for a term of nine years from January 15, 1949. Each of the members of the board appointed hereunder shall hold office until his successor is appointed and qualified. After June 11, 1986, the term that began on January 15, 1985, will end on January 15, 1989, the term beginning on January 15, 1988, will end on January 15, 1993, and the term beginning on January 15, 1991, will end on January 15, 1997. Thereafter, upon the expiration of the term of any member appointed after June 11, 1986, each succeeding)) Each member of the board shall be appointed ((and hold office)) for the term of six years. In case of a vacancy, it shall be filled by appointment by the governor for the unexpired portion of the term in which ((said)) the vacancy occurs. No vacancy in the membership of the board shall impair the right of the remaining member or members to act, except as ((herein otherwise)) provided in this section.
- (2) The principal office of the board shall be at the state capitol, and it may establish such other offices as it may deem necessary. Meetings of the board members shall be held at least monthly and at such other times as may be called by the chair or upon written request to the chair of a majority of the board members.
- (3) Any member of the board may be removed for inefficiency, malfeasance or misfeasance in office, upon specific written charges filed by the governor, who shall transmit such written charges to the member accused and to the chief justice of the supreme court. The chief justice shall thereupon designate a tribunal composed of three judges of the superior court to hear and adjudicate the charges. Such tribunal shall fix the time of the hearing, which shall be public, and the procedure for the hearing, and the decision of such tribunal shall be final and not subject to review by the supreme court. Removal of any member of the board by the tribunal shall disqualify such member for reappointment.

(4) ((Each member of the board shall devote his entire time to the duties of his office and no member of the board shall hold any other public office.)) Before entering upon the duties of ((his)) office, each of ((said)) the members of the board shall enter into a surety bond executed by a surety company authorized to do business in this state, payable to the state of Washington, to be approved by the governor in the penal sum of fifty thousand dollars conditioned upon the faithful performance of his or her duties, and shall take and subscribe to the oath of office prescribed for elective state officers, which oath and bond shall be filed with the secretary of state. The premium for ((said)) the bond shall be paid by the board.

- NEW SECTION. Sec. 4. RCW 66.08.020 (Liquor control board to administer) and 1933 ex.s. c 62 s 5 are each repealed.
- NEW SECTION. Sec. 5. A new section is added to chapter 66.08 RCW to read as follows:
 - There is created the office of director of the liquor control board. The director shall be appointed by the governor with the consent of the senate. The director shall serve at the pleasure of the governor and shall receive such salary as is determined by the governor, but in no case may the director's salary be more than ninety percent of the salary of the governor. The director shall:
 - (1) Supervise and administer the operation of the liquor control board in accordance with the provisions of this title;
 - (2) Appoint a deputy and assistant directors as may be required to carry out the functions and duties of the office. As provided in RCW 41.06.070, the state civil service law, chapter 41.06 RCW, does not apply to assistant directors;
 - (3) Appoint other employees as may be necessary to perform the duties imposed by this title and the functions and duties of the office of director. Except as otherwise provided by subsection (2) of this section or as specified elsewhere, the state civil service law, chapter 41.06 RCW, applies to employees appointed by the director;
- 33 (4) Purchase, lease, contract, or otherwise acquire any goods, services, and products;
 - (5) Approve liquor purchase orders authorized by the board;

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1 (6) Approve licenses and permits, and enforce this title and the 2 board's rules relating to the manufacture, importation, transportation, 3 possession, distribution, and sale of liquor;

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- (7) Assign duties, coordinate agency operations, and establish performance standards and timelines;
- (8) Authorize expenditures of funds and approve disbursements of excess funds from the liquor revolving fund;
- (9) Confer regularly as necessary or desirable with the board members on the operation and administration of the state liquor stores; make available for inspection by the board, upon request, all books, records, files, and other information and documents of the board; and advise the board members and recommend those matters as the director deems necessary and advisable to improve the operation and administration of the board; and
- 15 (10) Perform all other matters and things necessary to carry out 16 the purposes and provisions of this chapter or as delegated by the 17 board.
- 18 **Sec. 6.** RCW 66.08.022 and 1961 ex.s. c 6 s 2 are each amended to read as follows:

The attorney general shall be the general counsel of the liquor control board and ((he shall institute and prosecute)) shall assign such assistants as may be necessary in carrying out the provisions and purposes of this title, which shall include the prosecution of all actions and proceedings which may be necessary in the enforcement and carrying out of the provisions of this chapter and this title (($\frac{66}{RCW}$)).

- ((He shall assign such assistants as may be necessary to the exclusive duty of assisting the liquor control board in the enforcement of Title 66 RCW.))
- 30 **Sec. 7.** RCW 66.08.050 and 2005 c 151 s 3 are each amended to read 31 as follows:
- 32 The ((board)) <u>director</u>, subject to <u>board members' oversight and</u>
 33 <u>subject to</u> the provisions of this title and the rules <u>of the board</u>,
 34 shall:
- 35 (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 state liquor store is located, contract liquor stores. In addition, the board may appoint, in its discretion, a manufacturer that also manufactures liquor products other than wine under a license under this title, as a contract liquor store for the purpose of sale of liquor products of its own manufacture on the licensed premises only. Such contract liquor stores shall be authorized to sell liquor under the guidelines provided by law, rule, or contract, and such contract liquor stores shall be subject to such additional rules and regulations consistent with this title as the board may require;
- (3) Establish all necessary warehouses for the storing and bottling, diluting and rectifying of stocks of liquors for the purposes of this title;
- (4) Provide for the leasing for periods not to exceed ten years of all premises required for the conduct of the business; and for remodeling the same, and the procuring of their furnishings, fixtures, and supplies; and for obtaining options of renewal of such leases by the lessee. The terms of such leases in all other respects shall be subject to the direction of the board;
- 22 (5) Determine the nature, form and capacity of all packages to be 23 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;
 - (7) Pay all customs, duties, excises, charges and obligations whatsoever relating to the business of the board;
 - (8) Require bonds from all employees in the discretion of the board, and to determine the amount of fidelity bond of each such employee;
 - (9) Perform services for the state lottery commission to such extent, and for such compensation, as may be mutually agreed upon between the board and the commission;
 - (10) Accept and deposit into the general fund-local account and disburse, subject to appropriation, federal grants or other funds or donations from any source for the purpose of improving public awareness of the health risks associated with alcohol consumption by youth and

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the abuse of alcohol by adults in Washington state. The board's alcohol awareness program shall cooperate with federal and state agencies, interested organizations, and individuals to effect an active public beverage alcohol awareness program;

(11) Perform all other matters and things, whether similar to the foregoing or not, to carry out the provisions of this title, and shall have full power to do each and every act necessary to the conduct of its business, including all buying, selling, preparation and approval of forms, and every other function of the business whatsoever, subject only to audit by the state auditor: PROVIDED, That the board shall have no authority to regulate the content of spoken language on 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.

Sec. 8. RCW 66.08.0501 and 1997 c 321 s 56 are each amended to read as follows:

The liquor control board may adopt appropriate rules pursuant to chapter 34.05 RCW for the purpose of carrying out the provisions of ((chapter 321, Laws of 1997)) this title. Final approval of all rules is vested in the board members.

Sec. 9. RCW 66.08.150 and 2007 c 370 s 3 are each amended to read 22 as follows:

The action, order, or decision of the board as to any denial of an application for the reissuance of a permit or license or as to any revocation, suspension, or modification of any permit or license shall be an adjudicative proceeding and subject to the applicable provisions of chapter 34.05 RCW and this title.

- (1) An opportunity for a hearing may be provided an applicant for the reissuance of a permit or license prior to the disposition of the application, and if no such opportunity for a prior hearing is provided then an opportunity for a hearing to reconsider the application must be provided the applicant.
- (2) An opportunity for a hearing must be provided a permittee or licensee prior to a revocation or modification of any permit or license and, except as provided in subsection (4) of this section, prior to the suspension of any permit or license.

- 1 (3) No hearing shall be required until demanded by the applicant, 2 permittee, or licensee.
- (4) The board may summarily suspend a license or permit for a 3 4 period of up to one hundred eighty days without a prior hearing if it finds that public health, safety, or welfare imperatively require 5 emergency action, and it incorporates a finding to that effect in its 6 7 Proceedings for revocation or other action must be promptly 8 instituted and determined. An administrative law judge may extend the summary suspension period for up to one calendar year in the event the 9 10 proceedings for revocation or other action cannot be completed during 11 the initial one hundred eighty day period due to actions by the 12 licensee or permittee. The board's enforcement division shall complete 13 a preliminary staff investigation of the violation before requesting an 14 emergency suspension by the board.

15 **Sec. 10.** RCW 66.08.166 and 2005 c 231 s 2 are each amended to read as follows:

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((By September 1, 2005, the)) The board shall expand operations in at least twenty state-operated retail stores to include Sundays. The board shall select the stores that are expected to gross the most revenues on Sunday by considering factors including, but not limited to, population density, proximity to shopping centers, and proximity to other businesses that are open on Sunday. The selected stores shall be open for retail business a minimum of five hours on Sunday. implementing this program, if the board determines it would be beneficial to retain a consultant to assist the board in determining appropriate stores for the program and monitoring the results of the program, the agency is authorized to do so. The board shall track gross sales and expenses of the selected stores and compare them to previous years' sales and projected sales and expenses before opening The board shall also examine the sales of state and contract liquor stores in proximity to those stores opened on Sundays to determine whether Sunday openings ((has [have])) have reduced the sales of other state and contract liquor stores that are not open on Sundays. ((The board shall present this information to the appropriate policy and fiscal committees of the legislature by January 31, 2007.))

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<u>NEW SECTION.</u> **Sec. 11.** This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect July 1, 2009.

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