
ENGROSSED SUBSTITUTE SENATE BILL 5522

State of Washington

58th Legislature

2003 Regular Session

By Senate Committee on Commerce & Trade (originally sponsored by Senators T. Sheldon, Brandland, Carlson and Hale)

READ FIRST TIME 02/27/03.

1 AN ACT Relating to the privatization of liquor sales; amending RCW
2 66.08.026, 66.08.150, 66.08.220, 66.24.440, 66.08.050, 66.08.235,
3 66.04.010, 66.16.030, 66.16.040, 66.20.160, 66.20.180, and 66.24.380;
4 adding a new chapter to Title 66 RCW; and providing an expiration date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

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

14 NEW SECTION. **Sec. 2.** (1) "Contract liquor store" means a
15 privately owned business having an agreement with the board beginning
16 after July 1, 2003, to sell spirits and wine in original packaging for
17 off-premises consumption.

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

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

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

11 NEW SECTION. **Sec. 3.** (1) A task force on the contracting out of
12 liquor is created to advise the board as it implements further
13 contracting out of liquor stores. The task force membership shall
14 consist of:

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

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

19 (c) One representative of city governments, appointed jointly by
20 the president of the senate and the speaker of the house of
21 representatives;

22 (d) One representative of county governments, appointed jointly by
23 the president of the senate and the speaker of the house of
24 representatives;

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

28 (f) A representative of the governor's council on substance abuse.

29 (2) The task force shall choose its cochairs from among its
30 membership.

31 (3) Each nonlegislative member of the task force is eligible to be
32 reimbursed for travel expenses in accordance with RCW 43.03.050 and
33 43.03.060. All expenses of the task force, including travel, shall be
34 paid jointly by the senate and the house of representatives.

35 (4) The task force shall:

36 (a) Assist the board in determining which state liquor stores to
37 close;

1 (b) Assist the board in determining criteria for awarding contract
2 liquor store agreements.

3 (5) This section expires July 1, 2006.

4 NEW SECTION. **Sec. 4.** Notwithstanding any other provision of law,
5 the board is directed to implement the closure of twenty-five state
6 liquor stores between July 1, 2005, and December 31, 2005. When
7 determining which liquor stores to close, the board must give due
8 consideration to recommendations from the task force. A state liquor
9 store may not be closed unless one contract liquor store exists in the
10 area served by the liquor store, or unless the board determines that
11 reasonable alternative access is available to persons who previously
12 purchased products from the state liquor store that is closing.

13 NEW SECTION. **Sec. 5.** Nothing in this act shall be construed to
14 require the closing of any contract liquor stores having contracts with
15 the board before January 1, 2003, to sell spirits and wine for off-
16 premises consumption, or to require these contract liquor store
17 managers to pay a fee to continue to operate their stores.

18 NEW SECTION. **Sec. 6.** (1) The board may locate one contract liquor
19 store within the area served by a closing state retail liquor store.
20 The total inventory granted to a contract liquor store when it opens
21 must not exceed the total volume that would have been granted to the
22 closing state liquor store if it was still in operation at that time.
23 The board may increase or decrease the amount of the combined inventory
24 at contract liquor stores if demand for products changes, provided that
25 the guidelines for the change of inventory are the same as those for
26 inventory changes at state retail liquor stores.

27 (2) The board shall determine the procedural guidelines of the
28 contract liquor stores including, but not limited to, guidelines
29 regarding inventory, performance standards, operations, and required
30 reporting to the board.

31 (3) The board reserves the right to add, relocate, or close
32 contract liquor stores. When adding, relocating, or closing contract
33 liquor stores, the board must use the same decision process and
34 criteria that it uses to add, close, or relocate state retail liquor
35 stores and contract liquor stores. Neither the state of Washington nor

1 the board is liable for any changes in the volume of alcohol sales that
2 may occur following the addition, relocation, or closure of contract
3 liquor stores.

4 NEW SECTION. **Sec. 7.** (1) The board must advertise the opportunity
5 for a contract liquor store agreement in the daily newspaper in the
6 county where the contract liquor store is to be located. The
7 advertisement must include:

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

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

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

13 (d) Deadline for receiving applications.

14 (e) Directions for obtaining additional information.

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

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

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

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

33 NEW SECTION. **Sec. 8.** (1) The board may adopt rules regarding the
34 criteria for awarding contract liquor store agreements, and must give
35 due consideration to the recommendations of the task force regarding
36 these criteria.

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

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

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

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

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

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

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

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

23 (h) Possession of a certificate of liability insurance from his or
24 her insurance carrier.

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

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

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

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

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

11 (2) The fee for purchasing a contract liquor store when,
12 immediately prior to the agreement's execution date, a contract liquor
13 store was in operation in the area to be served by the contract liquor
14 store, is two percent of the average gross annual sales for the last
15 five years at the contract liquor store serving that area. If the
16 prior contract liquor store has not been in operation for five years,
17 the board shall determine a reasonable gross sales period on which to
18 base the two percent fee.

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

22 NEW SECTION. **Sec. 10.** (1) The board may adopt rules regarding the
23 termination of contract liquor store agreements.

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

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

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

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

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

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

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

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

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

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

25 NEW SECTION. **Sec. 11.** (1) The board may adopt rules regarding the
26 shipping and inventory of liquor to contract liquor stores.

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

31 (3) The board shall determine by rule, and in accordance with RCW
32 66.16.080, the hours during which contract liquor stores are allowed to
33 sell liquor, and procedures for displaying liquor when liquor sales are
34 not allowed.

35 (4) The board shall determine the amounts, classes, varieties, and
36 brands of liquor listed for sale statewide. The board shall work with
37 the contract liquor store manager to ensure a choice of products to the

1 community being served. Where items are in short supply, the contract
2 liquor store manager shall have an equal opportunity to order and
3 receive these items.

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

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

13 (7) The board shall provide a bank account, in the local community
14 where possible, for daily deposit of funds derived from the sale of
15 liquor and banquet permits by the contract liquor store manager. Daily
16 deposit of funds by the contract liquor store manager is required
17 unless an exception has been agreed to in writing by the board and the
18 contract liquor store manager.

19 (8) The board shall pay the contract liquor store manager on or
20 about the tenth day of the month following the month of sale, after
21 receipt of sales reports and transaction summaries, an amount equal to
22 the compensation formula to be determined by the board by rule.
23 Compensation must include a base rate and a tiered commission based on
24 sales. The board may increase contract liquor store commissions to
25 attract or maintain contract liquor store managers. The compensation
26 formula must be reviewed before July 1 every two years, and the
27 compensation rates may be adjusted by the board. All proposed
28 compensation adjustments must be approved by the board and by the
29 director of the office of financial management, in accordance with RCW
30 66.08.026.

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

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

5 NEW SECTION. **Sec. 12.** (1) Contract liquor store managers shall
6 sell the board's liquor to retail customers and all eligible liquor
7 licensees on the contract liquor store premises at prices set by the
8 board.

9 (2) Contract liquor store managers shall maintain the security of,
10 and prevent damage to, the liquor and any other property of the board.

11 (3) Contract liquor store managers shall account for all inventory,
12 sales, and receipts on forms or equipment and at time intervals as may
13 be required by the board.

14 (4) Contract liquor store managers shall display liquor
15 attractively and maintain the contract liquor store premises in a
16 manner that allows customers a clean, comfortable, and safe environment
17 to make purchases.

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

21 (6) Contract liquor store managers shall maintain sufficient hours
22 of operation at convenient times to serve the public, as determined by
23 the board, and shall follow the board's guidelines for the display of
24 liquor when liquor is not allowed to be sold. No liquor sales, except
25 beer or wine under a beer and/or wine specialty shop license or beer
26 and/or wine grocery store license, shall be made by contract liquor
27 store managers on Sundays unless RCW 66.16.080 is modified or repealed
28 to allow such sales. Contract liquor stores may open or close on state
29 holidays at the discretion of the contract liquor store manager.

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

35 (8) Contract liquor store managers shall adhere to the policy and
36 guidelines of the board concerning the operation of the contract liquor

1 store related to the control of the board's assets and comply with
2 legal requirements under local, state, and federal law.

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

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

8 (11) Contract liquor store managers may also hold or apply for a
9 license to sell beer under a beer and/or wine specialty shop license
10 under RCW 66.24.371 or a beer and/or wine grocery store license under
11 RCW 66.24.360. If licensed, the contract liquor store manager may sell
12 beer purchased from a duly licensed beer distributor, on the premises
13 of the contract liquor store.

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

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

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

22 (15) All expenses for employees hired by contract liquor store
23 managers are the responsibility of the contract liquor store manager.
24 Contract liquor store managers must provide training to employees
25 regarding the rules and regulations that apply to contract liquor
26 stores.

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

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

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

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

6 NEW SECTION. **Sec. 13.** (1) In addition to other provisions of law,
7 it is unlawful for any contract liquor store manager or employee to:

8 (a) Sell or offer for sale any liquor other than from the original
9 package or container;

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

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

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

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

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

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

23 (2) Violations of any provision of this chapter or any rule adopted
24 by the board, or any false statement concerning any material fact, or
25 omission of any material fact in submitting an application for a
26 contract liquor store agreement or in any hearing concerning the
27 suspension or revocation of a contract liquor store agreement, or the
28 commission of any of the acts declared in this chapter to be unlawful,
29 is subject to disciplinary action by the board, including suspension or
30 revocation of the contract liquor store agreement. No fees paid for
31 the contract liquor store agreement will be refunded. The board shall
32 develop rules to implement and enforce this subsection and may assess
33 an administrative penalty for violations.

34 (3) Nothing in this chapter or any rule of the board prevents or
35 prohibits any contract liquor store manager from employing any person
36 who is at least eighteen years of age to serve in any contract liquor

1 store, or from having a person assist a person twenty-one years of age
2 or older who handles, sells, or delivers spirits, strong beer, or
3 alcohol under this chapter.

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

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

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

17 (4) The contract liquor store manager is an independent contractor.
18 Neither the contract liquor store manager nor the contract liquor store
19 manager's employees are employees of the board, and are not entitled to
20 any of the rights, benefits, or privileges accorded to employees of the
21 state of Washington.

22 (5) Any claims or damages arising out of the contract liquor store
23 manager's operation of a nonliquor sales business or sales of goods
24 other than liquor are the contract liquor store manager's sole
25 responsibility. The contract liquor store manager indemnifies the
26 board for any damages and costs of suit, however denominated, arising
27 from those activities.

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

33 NEW SECTION. **Sec. 15.** The joint legislative audit and review
34 committee is directed to study the impacts of further contracting out
35 the state's retail sale of liquor, and to deliver a report on their
36 findings to the legislature by December 31, 2007. The legislature

1 directs that the impacts to be studied shall include, but shall not be
2 limited to: Underage access to alcohol in state retail liquor stores
3 and contract liquor stores; alcohol consumption rates; state revenue;
4 traffic accidents and fatalities related to alcohol use; and crimes
5 directly related to alcohol use.

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

13 (2) Without limiting the generality of the provisions contained in
14 subsection (1) of this section, it is declared that the power of the
15 board to make regulations in the manner set out in subsection (1) of
16 this section shall extend to:

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

20 (b) Prescribing the duties of contract liquor store managers and
21 their employees, and regulating their conduct in the discharge of their
22 duties;

23 (c) Governing the purchase of liquor by the state and the
24 furnishing of liquor to contract liquor stores established under this
25 chapter;

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

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

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

35 (g) Prescribing an official seal and official labels and stamps and
36 determining the manner in which they shall be attached to every package

1 of liquor sold or sealed under this title, including the prescribing of
2 different official seals or different official labels for different
3 classes of liquor;

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

6 (i) Prescribing forms to be used for purposes of this chapter or
7 the regulations, and the terms and conditions to be contained in
8 contract liquor store agreements issued under this title, and the
9 qualifications for receiving a contract liquor store agreement issued
10 under this chapter, including a criminal history record information
11 check. The board may submit the criminal history record information
12 check to the Washington state patrol and to the identification division
13 of the federal bureau of investigation in order that these agencies may
14 search their records for prior arrests and convictions of the
15 individual or individuals who filled out the forms. The board shall
16 require fingerprinting of any applicant whose criminal history record
17 information check is submitted to the federal bureau of investigation;

18 (j) Prescribing the fees payable in respect of contract liquor
19 store agreements issued under this chapter for which no fees are
20 prescribed in this chapter, and prescribing the fees for anything done
21 or permitted to be done under the regulations.

22 **Sec. 17.** RCW 66.08.026 and 2001 c 313 s 1 are each amended to read
23 as follows:

24 All administrative expenses of the board incurred on and after
25 April 1, 1963 shall be appropriated and paid from the liquor revolving
26 fund. These administrative expenses shall include, but not be limited
27 to: The salaries and expenses of the board and its employees, the cost
28 of establishing, leasing, maintaining, and operating state liquor
29 stores and warehouses, legal services, pilot projects, annual or other
30 audits, and other general costs of conducting the business of the
31 board, and the costs of supplying, installing, and maintaining
32 equipment used in state liquor stores and agency liquor vendor stores
33 for the purchase of liquor by nonlicensees using debit or credit cards.
34 The administrative expenses shall not, however, be deemed to include
35 costs of liquor and lottery tickets purchased, the cost of
36 transportation and delivery to the point of distribution, other costs
37 pertaining to the acquisition and receipt of liquor and lottery

1 tickets, packaging and repackaging of liquor, (~~(agency)~~) commissions
2 for (~~(agency)~~) contract liquor (~~(vendor)~~) stores, transaction fees
3 associated with credit or debit card purchases for liquor in state
4 liquor stores and in the (~~(stores of agency)~~) contract liquor
5 (~~(vendors)~~) stores pursuant to RCW 66.16.040 and 66.16.041, sales tax,
6 and those amounts distributed pursuant to RCW 66.08.180, 66.08.190,
7 66.08.200, 66.08.210, and 66.08.220. (~~(Agency)~~) Commissions for
8 (~~(agency)~~) contract liquor (~~(vendor)~~) stores shall be established by
9 the liquor control board after consultation with and approval by the
10 director of the office of financial management. All expenditures and
11 payment of obligations authorized by this section are subject to the
12 allotment requirements of chapter 43.88 RCW.

13 **Sec. 18.** RCW 66.08.150 and 1989 c 175 s 122 are each amended to
14 read as follows:

15 (1) The action, order, or decision of the board as to any denial of
16 an application for the reissuance of a permit or license or as to any
17 revocation, suspension, or modification of any permit (~~(or)~~), license,
18 or contract liquor store agreement shall be an adjudicative proceeding
19 and subject to the applicable provisions of chapter 34.05 RCW.

20 (~~(1)~~) (2) An opportunity for a hearing may be provided an
21 applicant for the reissuance of a permit or license prior to the
22 disposition of the application, and if no such opportunity for a prior
23 hearing is provided then an opportunity for a hearing to reconsider the
24 application must be provided the applicant.

25 (~~(2)~~) (3) An opportunity for a hearing must be provided a
26 permittee (~~(or)~~), licensee, or contract liquor store manager prior to
27 a revocation or modification of any permit (~~(or)~~), license, or contract
28 liquor store agreement and, except as provided in subsection (~~(4)~~)
29 (5) of this section, prior to the suspension of any permit (~~(or)~~),
30 license, or contract liquor store agreement.

31 (~~(3)~~) (4) No hearing shall be required until demanded by the
32 applicant, permittee, (~~(or)~~) licensee, or contract liquor store
33 manager.

34 (~~(4)~~) (5) The board may summarily suspend a license (~~(or)~~),
35 permit, or contract liquor store agreement for a period of up to thirty
36 days without a prior hearing if it finds that public health, safety, or

1 welfare imperatively require emergency action, and incorporates a
2 finding to that effect in its order; and proceedings for revocation or
3 other action must be promptly instituted and determined.

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

6 The board shall set aside in a separate account in the liquor
7 revolving fund an amount equal to ten percent of its gross sales of
8 liquor, including sales by contract liquor stores, to spirits, beer,
9 and wine restaurant; spirits, beer, and wine private club; and sports
10 entertainment facility licensees collected from these licensees
11 pursuant to the provisions of RCW 82.08.150, less the fifteen percent
12 discount provided for in RCW 66.24.440; and the moneys in said separate
13 account shall be distributed in accordance with the provisions of RCW
14 66.08.190, 66.08.200 and 66.08.210: PROVIDED, HOWEVER, That no
15 election unit in which the sale of liquor under spirits, beer, and wine
16 restaurant; spirits, beer, and wine private club; and sports
17 entertainment facility licenses is unlawful shall be entitled to share
18 in the distribution of moneys from such separate account.

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

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

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

29 The board, subject to the provisions of this title and the rules,
30 shall:

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

34 (2) Appoint in cities and towns and other communities, in which no
35 state liquor store is located, contract liquor (~~vendors~~) stores. In

1 addition, the board may appoint, in its discretion, a manufacturer that
2 also manufactures liquor products other than wine under a license under
3 this title, as a vendor for the purpose of sale of liquor products of
4 its own manufacture on the licensed premises only. Such liquor vendors
5 shall be agents of the board and be authorized to sell liquor to such
6 persons, firms or corporations as provided for the sale of liquor from
7 a state liquor store, and such vendors shall be subject to such
8 additional rules and regulations consistent with this title as the
9 board may require;

10 (3) Establish all necessary warehouses for the storing and
11 bottling, diluting and rectifying of stocks of liquors for the purposes
12 of this title;

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

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

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

24 (7) Pay all customs, duties, excises, charges and obligations
25 whatsoever relating to the business of the board;

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

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

32 (10) Accept and deposit into the general fund-local account and
33 disburse, subject to appropriation, federal grants or other funds or
34 donations from any source for the purpose of improving public awareness
35 of the health risks associated with alcohol consumption by youth and
36 the abuse of alcohol by adults in Washington state. The board's
37 alcohol awareness program shall cooperate with federal and state

1 agencies, interested organizations, and individuals to effect an active
2 public beverage alcohol awareness program;

3 (11) Perform all other matters and things, whether similar to the
4 foregoing or not, to carry out the provisions of this title, and shall
5 have full power to do each and every act necessary to the conduct of
6 its business, including all buying, selling, preparation and approval
7 of forms, and every other function of the business whatsoever, subject
8 only to audit by the state auditor: PROVIDED, That the board shall
9 have no authority to regulate the content of spoken language on
10 licensed premises where wine and other liquors are served and where
11 there is not a clear and present danger of disorderly conduct being
12 provoked by such language.

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

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

29 **Sec. 23.** RCW 66.04.010 and 2000 c 142 s 1 are each amended to read
30 as follows:

31 In this title, unless the context otherwise requires:
32 (1) "Alcohol" is that substance known as ethyl alcohol, hydrated
33 oxide of ethyl, or spirit of wine, which is commonly produced by the
34 fermentation or distillation of grain, starch, molasses, or sugar, or
35 other substances including all dilutions and mixtures of this
36 substance. The term "alcohol" does not include alcohol in the

1 possession of a manufacturer or distiller of alcohol fuel, as described
2 in RCW 66.12.130, which is intended to be denatured and used as a fuel
3 for use in motor vehicles, farm implements, and machines or implements
4 of husbandry.

5 (2) "Beer" means any malt beverage or malt liquor as these terms
6 are defined in this chapter.

7 (3) "Beer distributor" means a person who buys beer from a brewer
8 or brewery located either within or beyond the boundaries of the state,
9 beer importers, or foreign produced beer from a source outside the
10 state of Washington, for the purpose of selling the same pursuant to
11 this title, or who represents such brewer or brewery as agent.

12 (4) "Beer importer" means a person or business within Washington
13 who purchases beer from a United States brewery holding a certificate
14 of approval (B5) or foreign produced beer from a source outside the
15 state of Washington for the purpose of selling the same pursuant to
16 this title.

17 (5) "Brewer" means any person engaged in the business of
18 manufacturing beer and malt liquor. Brewer includes a brand owner of
19 malt beverages who holds a brewer's notice with the federal bureau of
20 alcohol, tobacco, and firearms at a location outside the state and
21 whose malt beverage is contract-produced by a licensed in-state
22 brewery, and who may exercise within the state, under a domestic
23 brewery license, only the privileges of storing, selling to licensed
24 beer distributors, and exporting beer from the state.

25 (6) "Board" means the liquor control board, constituted under this
26 title.

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

30 (8) "Consume" includes the putting of liquor to any use, whether by
31 drinking or otherwise.

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

35 (10) "Distiller" means a person engaged in the business of
36 distilling spirits.

37 (11) "Domestic brewery" means a place where beer and malt liquor
38 are manufactured or produced by a brewer within the state.

1 (12) "Domestic winery" means a place where wines are manufactured
2 or produced within the state of Washington.

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

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

11 (15) "Employee" means any person employed by the board(~~(, including~~
12 ~~a vendor, as hereinafter in this section defined)~~).

13 (16) "Fund" means 'liquor revolving fund.'

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

28 (18) "Importer" means a person who buys distilled spirits from a
29 distillery outside the state of Washington and imports such spirituous
30 liquor into the state for sale to the board or for export.

31 (19) "Imprisonment" means confinement in the county jail.

32 (20) "Liquor" includes the four varieties of liquor herein defined
33 (alcohol, spirits, wine and beer), and all fermented, spirituous,
34 vinous, or malt liquor, or combinations thereof, and mixed liquor, a
35 part of which is fermented, spirituous, vinous or malt liquor, or
36 otherwise intoxicating; and every liquid or solid or semisolid or other
37 substance, patented or not, containing alcohol, spirits, wine or beer,
38 and all drinks or drinkable liquids and all preparations or mixtures

1 capable of human consumption, and any liquid, semisolid, solid, or
2 other substance, which contains more than one percent of alcohol by
3 weight shall be conclusively deemed to be intoxicating. Liquor does
4 not include confections or food products that contain one percent or
5 less of alcohol by weight.

6 (21) "Manufacturer" means a person engaged in the preparation of
7 liquor for sale, in any form whatsoever.

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

16 (23) "Package" means any container or receptacle used for holding
17 liquor.

18 (24) "Permit" means a permit for the purchase of liquor under this
19 title.

20 (25) "Person" means an individual, copartnership, association, or
21 corporation.

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

25 (27) "Prescription" means a memorandum signed by a physician and
26 given by him to a patient for the obtaining of liquor pursuant to this
27 title for medicinal purposes.

28 (28) "Public place" includes streets and alleys of incorporated
29 cities and towns; state or county or township highways or roads;
30 buildings and grounds used for school purposes; public dance halls and
31 grounds adjacent thereto; those parts of establishments where beer may
32 be sold under this title, soft drink establishments, public buildings,
33 public meeting halls, lobbies, halls and dining rooms of hotels,
34 restaurants, theatres, stores, garages and filling stations which are
35 open to and are generally used by the public and to which the public is
36 permitted to have unrestricted access; railroad trains, stages, and
37 other public conveyances of all kinds and character, and the depots and
38 waiting rooms used in conjunction therewith which are open to

1 unrestricted use and access by the public; publicly owned bathing
2 beaches, parks, and/or playgrounds; and all other places of like or
3 similar nature to which the general public has unrestricted right of
4 access, and which are generally used by the public.

5 (29) "Regulations" means regulations made by the board under the
6 powers conferred by this title.

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

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

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

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

29 (34) "Store" means a state liquor store established under this
30 title.

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

34 (~~(36) ("Vendor" means a person employed by the board as a store
35 manager under this title.~~

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

1 ~~((38))~~ (37) "Wine" means any alcoholic beverage obtained by
2 fermentation of fruits (grapes, berries, apples, et cetera) or other
3 agricultural product containing sugar, to which any saccharine
4 substances may have been added before, during or after fermentation,
5 and containing not more than twenty-four percent of alcohol by volume,
6 including sweet wines fortified with wine spirits, such as port,
7 sherry, muscatel and angelica, not exceeding twenty-four percent of
8 alcohol by volume and not less than one-half of one percent of alcohol
9 by volume. For purposes of this title, any beverage containing no more
10 than fourteen percent of alcohol by volume when bottled or packaged by
11 the manufacturer shall be referred to as "table wine," and any beverage
12 containing alcohol in an amount more than fourteen percent by volume
13 when bottled or packaged by the manufacturer shall be referred to as
14 "fortified wine." However, "fortified wine" shall not include: (a)
15 Wines that are both sealed or capped by cork closure and aged two years
16 or more; and (b) wines that contain more than fourteen percent alcohol
17 by volume solely as a result of the natural fermentation process and
18 that have not been produced with the addition of wine spirits, brandy,
19 or alcohol.

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

22 ~~((39))~~ (38) "Wine distributor" means a person who buys wine from
23 a vintner or winery located either within or beyond the boundaries of
24 the state for the purpose of selling the same not in violation of this
25 title, or who represents such vintner or winery as agent.

26 ~~((40))~~ (39) "Wine importer" means a person or business within
27 Washington who purchases wine from a United States winery holding a
28 certificate of approval (W7) or foreign produced wine from a source
29 outside the state of Washington for the purpose of selling the same
30 pursuant to this title.

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

33 The sale of liquor at each state liquor store shall be conducted by
34 a person employed under this title (~~to be known as a "vender,"~~) who
35 shall, together with the employees under his direction, under the
36 regulations of the board, be responsible for the carrying out of this

1 title and the regulations, so far as they relate to the conduct of the
2 store and the sale of liquor thereat.

3 **Sec. 25.** RCW 66.16.040 and 1996 c 291 s 1 are each amended to read
4 as follows:

5 Except as otherwise provided by law, an employee in a state liquor
6 store or ((agency)) contract liquor store may sell liquor to any person
7 of legal age to purchase alcoholic beverages and may also sell to
8 holders of permits such liquor as may be purchased under such permits.

9 Where there may be a question of a person's right to purchase
10 liquor by reason of age, such person shall be required to present any
11 one of the following officially issued cards of identification which
12 shows his/her correct age and bears his/her signature and photograph:

13 (1) Liquor control authority card of identification of any state or
14 province of Canada.

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

18 (3) United States armed forces identification card issued to active
19 duty, reserve, and retired personnel and the personnel's dependents.

20 (4) Passport.

21 (5) Merchant Marine identification card issued by the United States
22 Coast Guard.

23 The board may adopt such regulations as it deems proper covering
24 the acceptance of such cards of identification.

25 No liquor sold under this section shall be delivered until the
26 purchaser has paid for the liquor in cash, except as allowed under RCW
27 66.16.041. The use of a personal credit card does not rely upon the
28 credit of the state as prohibited by Article VIII, section 5 of the
29 state Constitution.

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

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

34 "Card of identification" means any one of those cards described in
35 RCW 66.16.040.

1 "Contract liquor store employee" means a contract liquor store
2 manager or a person employed in a contract liquor store to sell liquor.

3 "Licensee" means the holder of a retail liquor license issued by
4 the board, and includes any employee or agent of the licensee.

5 "Store employee" means a person employed in a state liquor store
6 (~~or agency~~) to sell liquor.

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

9 A card of identification shall be presented by the holder thereof
10 upon request of any licensee, store employee, peace officer, or
11 enforcement officer of the board for the purpose of aiding the
12 licensee, store employee, peace officer, or enforcement officer of the
13 board to determine whether or not such person is of legal age to
14 purchase liquor when such person desires to procure liquor from a
15 licensed establishment or state liquor store or (~~agency~~) contract
16 liquor store.

17 **Sec. 28.** RCW 66.24.380 and 1997 c 321 s 24 are each amended to
18 read as follows:

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

25 (1) The not-for-profit society or organization is limited to sales
26 of no more than twelve calendar days per year.

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

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

32 (4) Spirituous liquor sold under this special occasion license must
33 be purchased at a state liquor store or (~~agency~~) contract liquor
34 store without discount at retail prices, including all taxes.

35 (5) Any violation of this section is a class 1 civil infraction

1 having a maximum penalty of two hundred fifty dollars as provided for
2 in chapter 7.80 RCW.

3 NEW SECTION. **Sec. 29.** Sections 1 through 16 of this act
4 constitute a new chapter in Title 66 RCW.

--- END ---