
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 at least one contract liquor store
10 exists in the area served by the liquor store, or unless the board
11 determines that reasonable alternative access is available to persons
12 who previously purchased products from the state liquor store that is
13 closing.

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

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

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

33 (3) The board reserves the right to add, relocate, or close
34 contract liquor stores. When adding, relocating, or closing contract
35 liquor stores, the board must use the same decision process and

1 criteria that it uses to add, close, or relocate state retail liquor
2 stores and contract liquor stores. Neither the state of Washington nor
3 the board is liable for any changes in the volume of alcohol sales that
4 may occur following the addition, relocation, or closure of contract
5 liquor stores.

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

- 10 (a) The starting date of a contract liquor store agreement.
- 11 (b) General selection criteria and procedures for selecting and
12 appointing a contract liquor store manager.
- 13 (c) Information on the costs involved in purchasing a contract
14 liquor store agreement.
- 15 (d) Deadline for receiving applications.
- 16 (e) Directions for obtaining additional information.

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

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

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

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

35 NEW SECTION. **Sec. 8.** (1) The board may adopt rules regarding the

1 criteria for awarding contract liquor store agreements, and must give
2 due consideration to the recommendations of the task force regarding
3 these criteria.

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

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

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

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

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

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

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

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

26 (h) Possession of a certificate of liability insurance from his or
27 her insurance carrier.

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

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

36 (5) A contract liquor store manager must not knowingly provide
37 anything of value in return for something of value to any distillery

1 whose products are sold in Washington, provided that this does not
2 prohibit persons from providing services and commodities to each other
3 that they routinely provide to the general public under the same terms.

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

7 NEW SECTION. **Sec. 9.** (1) The fee for purchasing a contract liquor
8 store agreement when, immediately prior to the agreement's execution
9 date, a state retail liquor store was in operation in the area served
10 by the contract liquor store, is two percent of the average gross
11 annual sales for the last five years at the state retail liquor store
12 serving that area, provided that if more than one contract liquor store
13 is located in a given area, the two percent fee will be divided among
14 the contract liquor stores in that area, based upon the percentage of
15 the previous state retail liquor store's inventory that each of the
16 contract liquor stores carry. This fee is to be paid to the board upon
17 the execution of a contract liquor store agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 (3) The board shall determine by rule, and in accordance with RCW
2 66.16.080, the hours during which contract liquor stores are allowed to
3 sell liquor, and procedures for displaying liquor when liquor sales are
4 not allowed.

5 (4) The board shall determine the amounts, classes, varieties, and
6 brands of liquor listed for sale statewide. The board shall work with
7 the contract liquor store manager to ensure a choice of products to the
8 community being served. Where items are in short supply, the contract
9 liquor store manager shall have an equal opportunity to order and
10 receive these items.

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

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

20 (7) The board shall provide a bank account, in the local community
21 where possible, for daily deposit of funds derived from the sale of
22 liquor and banquet permits by the contract liquor store manager. Daily
23 deposit of funds by the contract liquor store manager is required
24 unless an exception has been agreed to in writing by the board and the
25 contract liquor store manager.

26 (8) The board shall pay the contract liquor store manager on or
27 about the tenth day of the month following the month of sale, after
28 receipt of sales reports and transaction summaries, an amount equal to
29 the compensation formula to be determined by the board by rule.
30 Compensation must include a base rate and a tiered commission based on
31 sales. The board may increase contract liquor store commissions to
32 attract or maintain contract liquor store managers. The compensation
33 formula must be reviewed before July 1 every two years, and the
34 compensation rates may be adjusted by the board. All proposed
35 compensation adjustments must be approved by the board and by the
36 director of the office of financial management, in accordance with RCW
37 66.08.026.

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

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

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

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

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

21 (4) Contract liquor store managers shall display liquor
22 attractively and maintain the contract liquor store premises in a
23 manner that allows customers a clean, comfortable, and safe environment
24 to make purchases.

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

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

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

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

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

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

15 (11) Contract liquor store managers may also hold or apply for a
16 license to sell beer under a beer and/or wine specialty shop license
17 under RCW 66.24.371 or a beer and/or wine grocery store license under
18 RCW 66.24.360. If licensed, the contract liquor store manager may sell
19 beer purchased from a duly licensed beer distributor, on the premises
20 of the contract liquor store.

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

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

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

29 (15) All expenses for employees hired by contract liquor store
30 managers are the responsibility of the contract liquor store manager.
31 Contract liquor store managers must provide training to employees
32 regarding the rules and regulations that apply to contract liquor
33 stores.

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

37 (17) Contract liquor store managers shall not sell or allow to be

1 sold, any liquor, owned by the board, except for cash or credit or
2 debit cards presented at the time of sale.

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

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

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

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

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

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

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

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

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

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

31 (2) Violations of any provision of this chapter or any rule adopted
32 by the board, or any false statement concerning any material fact, or
33 omission of any material fact in submitting an application for a
34 contract liquor store agreement or in any hearing concerning the
35 suspension or revocation of a contract liquor store agreement, or the
36 commission of any of the acts declared in this chapter to be unlawful,
37 is subject to disciplinary action by the board, including suspension or

1 revocation of the contract liquor store agreement. No fees paid for
2 the contract liquor store agreement will be refunded. The board shall
3 develop rules to implement and enforce this subsection and may assess
4 an administrative penalty for violations.

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

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

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

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

24 (4) The contract liquor store manager is an independent contractor.
25 Neither the contract liquor store manager nor the contract liquor store
26 manager's employees are employees of the board, and are not entitled to
27 any of the rights, benefits, or privileges accorded to employees of the
28 state of Washington.

29 (5) Any claims or damages arising out of the contract liquor store
30 manager's operation of a nonliquor sales business or sales of goods
31 other than liquor are the contract liquor store manager's sole
32 responsibility. The contract liquor store manager indemnifies the
33 board for any damages and costs of suit, however denominated, arising
34 from those activities.

35 (6) The board assumes no liability with respect to any bodily
36 injury, the contract liquor store manager's portion of liquor

1 liability, illness, accident, theft, or any other damages or losses
2 concerning persons or property, except as provided in subsection (1) of
3 this section.

4 NEW SECTION. **Sec. 15.** The joint legislative audit and review
5 committee is directed to study the impacts of further contracting out
6 the state's retail sale of liquor, and to deliver a report on their
7 findings to the legislature by December 31, 2007. The legislature
8 directs that the impacts to be studied shall include, but shall not be
9 limited to: Underage access to alcohol in state retail liquor stores
10 and contract liquor stores; alcohol consumption rates; state revenue;
11 traffic accidents and fatalities related to alcohol use; and crimes
12 directly related to alcohol use.

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

20 (2) Without limiting the generality of the provisions contained in
21 subsection (1) of this section, it is declared that the power of the
22 board to make regulations in the manner set out in subsection (1) of
23 this section shall extend to:

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

27 (b) Prescribing the duties of contract liquor store managers and
28 their employees, and regulating their conduct in the discharge of their
29 duties;

30 (c) Governing the purchase of liquor by the state and the
31 furnishing of liquor to contract liquor stores established under this
32 chapter;

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

35 (e) Prescribing, subject to RCW 66.16.080, the hours during which

1 the contract liquor stores shall be kept open for the sale of liquor,
2 and procedures for the display of liquor when the stores are open, but
3 not allowed to sell liquor;

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

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

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

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

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

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

32 All administrative expenses of the board incurred on and after
33 April 1, 1963 shall be appropriated and paid from the liquor revolving
34 fund. These administrative expenses shall include, but not be limited
35 to: The salaries and expenses of the board and its employees, the cost
36 of establishing, leasing, maintaining, and operating state liquor
37 stores and warehouses, legal services, pilot projects, annual or other

1 audits, and other general costs of conducting the business of the
2 board, and the costs of supplying, installing, and maintaining
3 equipment used in state liquor stores and agency liquor vendor stores
4 for the purchase of liquor by nonlicensees using debit or credit cards.
5 The administrative expenses shall not, however, be deemed to include
6 costs of liquor and lottery tickets purchased, the cost of
7 transportation and delivery to the point of distribution, other costs
8 pertaining to the acquisition and receipt of liquor and lottery
9 tickets, packaging and repackaging of liquor, (~~agency~~) commissions
10 for (~~agency~~) contract liquor (~~vendor~~) stores, transaction fees
11 associated with credit or debit card purchases for liquor in state
12 liquor stores and in the (~~stores of agency~~) contract liquor
13 (~~vendors~~) stores pursuant to RCW 66.16.040 and 66.16.041, sales tax,
14 and those amounts distributed pursuant to RCW 66.08.180, 66.08.190,
15 66.08.200, 66.08.210, and 66.08.220. (~~Agency~~) Commissions for
16 (~~agency~~) contract liquor (~~vendor~~) stores shall be established by
17 the liquor control board after consultation with and approval by the
18 director of the office of financial management. All expenditures and
19 payment of obligations authorized by this section are subject to the
20 allotment requirements of chapter 43.88 RCW.

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

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

28 (~~(1)~~) (2) An opportunity for a hearing may be provided an
29 applicant for the reissuance of a permit or license prior to the
30 disposition of the application, and if no such opportunity for a prior
31 hearing is provided then an opportunity for a hearing to reconsider the
32 application must be provided the applicant.

33 (~~(2)~~) (3) An opportunity for a hearing must be provided a
34 permittee (~~or~~), licensee, or contract liquor store manager prior to
35 a revocation or modification of any permit (~~or~~), license, or contract
36 liquor store agreement and, except as provided in subsection (~~(4)~~)

1 (5) of this section, prior to the suspension of any permit ~~((~~or~~))~~,
2 license, or contract liquor store agreement.

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

6 ~~((~~4~~))~~ (5) The board may summarily suspend a license ~~((~~or~~))~~,
7 permit, or contract liquor store agreement for a period of up to thirty
8 days without a prior hearing if it finds that public health, safety, or
9 welfare imperatively require emergency action, and incorporates a
10 finding to that effect in its order; and proceedings for revocation or
11 other action must be promptly instituted and determined.

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

14 The board shall set aside in a separate account in the liquor
15 revolving fund an amount equal to ten percent of its gross sales of
16 liquor, including sales by contract liquor stores, to spirits, beer,
17 and wine restaurant; spirits, beer, and wine private club; and sports
18 entertainment facility licensees collected from these licensees
19 pursuant to the provisions of RCW 82.08.150, less the fifteen percent
20 discount provided for in RCW 66.24.440; and the moneys in said separate
21 account shall be distributed in accordance with the provisions of RCW
22 66.08.190, 66.08.200 and 66.08.210: PROVIDED, HOWEVER, That no
23 election unit in which the sale of liquor under spirits, beer, and wine
24 restaurant; spirits, beer, and wine private club; and sports
25 entertainment facility licenses is unlawful shall be entitled to share
26 in the distribution of moneys from such separate account.

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

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

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

3 The board, subject to the provisions of this title and the rules,
4 shall:

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

8 (2) Appoint in cities and towns and other communities, in which no
9 state liquor store is located, contract liquor (~~((venders))~~) stores. In
10 addition, the board may appoint, in its discretion, a manufacturer that
11 also manufactures liquor products other than wine under a license under
12 this title, as a vendor for the purpose of sale of liquor products of
13 its own manufacture on the licensed premises only. Such liquor vendors
14 shall be agents of the board and be authorized to sell liquor to such
15 persons, firms or corporations as provided for the sale of liquor from
16 a state liquor store, and such vendors shall be subject to such
17 additional rules and regulations consistent with this title as the
18 board may require;

19 (3) Establish all necessary warehouses for the storing and
20 bottling, diluting and rectifying of stocks of liquors for the purposes
21 of this title;

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

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

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

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

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

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

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

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

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

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

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

3 In this title, unless the context otherwise requires:

4 (1) "Alcohol" is that substance known as ethyl alcohol, hydrated
5 oxide of ethyl, or spirit of wine, which is commonly produced by the
6 fermentation or distillation of grain, starch, molasses, or sugar, or
7 other substances including all dilutions and mixtures of this
8 substance. The term "alcohol" does not include alcohol in the
9 possession of a manufacturer or distiller of alcohol fuel, as described
10 in RCW 66.12.130, which is intended to be denatured and used as a fuel
11 for use in motor vehicles, farm implements, and machines or implements
12 of husbandry.

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

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

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

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

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

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

- 1 (8) "Consume" includes the putting of liquor to any use, whether by
2 drinking or otherwise.
- 3 (9) "Dentist" means a practitioner of dentistry duly and regularly
4 licensed and engaged in the practice of his profession within the state
5 pursuant to chapter 18.32 RCW.
- 6 (10) "Distiller" means a person engaged in the business of
7 distilling spirits.
- 8 (11) "Domestic brewery" means a place where beer and malt liquor
9 are manufactured or produced by a brewer within the state.
- 10 (12) "Domestic winery" means a place where wines are manufactured
11 or produced within the state of Washington.
- 12 (13) "Druggist" means any person who holds a valid certificate and
13 is a registered pharmacist and is duly and regularly engaged in
14 carrying on the business of pharmaceutical chemistry pursuant to
15 chapter 18.64 RCW.
- 16 (14) "Drug store" means a place whose principal business is, the
17 sale of drugs, medicines and pharmaceutical preparations and maintains
18 a regular prescription department and employs a registered pharmacist
19 during all hours the drug store is open.
- 20 (15) "Employee" means any person employed by the board(~~(, including~~
21 ~~a vendor, as hereinafter in this section defined)~~).
- 22 (16) "Fund" means 'liquor revolving fund.'
- 23 (17) "Hotel" means every building or other structure kept, used,
24 maintained, advertised or held out to the public to be a place where
25 food is served and sleeping accommodations are offered for pay to
26 transient guests, in which twenty or more rooms are used for the
27 sleeping accommodation of such transient guests and having one or more
28 dining rooms where meals are served to such transient guests, such
29 sleeping accommodations and dining rooms being conducted in the same
30 building and buildings, in connection therewith, and such structure or
31 structures being provided, in the judgment of the board, with adequate
32 and sanitary kitchen and dining room equipment and capacity, for
33 preparing, cooking and serving suitable food for its guests: PROVIDED
34 FURTHER, That in cities and towns of less than five thousand
35 population, the board shall have authority to waive the provisions
36 requiring twenty or more rooms.
- 37 (18) "Importer" means a person who buys distilled spirits from a

1 distillery outside the state of Washington and imports such spirituous
2 liquor into the state for sale to the board or for export.

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

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

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

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

26 (23) "Package" means any container or receptacle used for holding
27 liquor.

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

30 (25) "Person" means an individual, copartnership, association, or
31 corporation.

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

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

1 (28) "Public place" includes streets and alleys of incorporated
2 cities and towns; state or county or township highways or roads;
3 buildings and grounds used for school purposes; public dance halls and
4 grounds adjacent thereto; those parts of establishments where beer may
5 be sold under this title, soft drink establishments, public buildings,
6 public meeting halls, lobbies, halls and dining rooms of hotels,
7 restaurants, theatres, stores, garages and filling stations which are
8 open to and are generally used by the public and to which the public is
9 permitted to have unrestricted access; railroad trains, stages, and
10 other public conveyances of all kinds and character, and the depots and
11 waiting rooms used in conjunction therewith which are open to
12 unrestricted use and access by the public; publicly owned bathing
13 beaches, parks, and/or playgrounds; and all other places of like or
14 similar nature to which the general public has unrestricted right of
15 access, and which are generally used by the public.

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

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

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

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

37 (33) "Spirits" means any beverage which contains alcohol obtained

1 by distillation, including wines exceeding twenty-four percent of
2 alcohol by volume.

3 (34) "Store" means a state liquor store established under this
4 title.

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

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

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

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

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

33 ~~((39))~~ (38) "Wine distributor" means a person who buys wine from
34 a vintner or winery located either within or beyond the boundaries of
35 the state for the purpose of selling the same not in violation of this
36 title, or who represents such vintner or winery as agent.

37 ~~((40))~~ (39) "Wine importer" means a person or business within
38 Washington who purchases wine from a United States winery holding a

1 certificate of approval (W7) or foreign produced wine from a source
2 outside the state of Washington for the purpose of selling the same
3 pursuant to this title.

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

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

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

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

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

22 (1) Liquor control authority card of identification of any state or
23 province of Canada.

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

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

29 (4) Passport.

30 (5) Merchant Marine identification card issued by the United States
31 Coast Guard.

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

34 No liquor sold under this section shall be delivered until the
35 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 in
9 RCW 66.16.040.

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

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:

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

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

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

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

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

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

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

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

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

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