REPORT OF
THE VIRGINIA STATE CRIME COMMISSION

# THE ALCOHOLIC BEVERAGE CONTROL BOARD NOTICE AND HEARING PROCESS

TO THE GOVERNOR AND THE GENERAL ASSEMBLY OF VIRGINIA



**HOUSE DOCUMENT NO. 69** 

COMMONWEALTH OF VIRGINIA RICHMOND 1999

# VIRGINIA STATE CRIME COMMISSION MEMBERS

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The Honorable William G. Petty

Attorney General's Office The Honorable Mark L. Earley

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## COMMONWEALTH of VIRGINIA

#### VIRGINIA STATE CRIME COMMISSION

Senator Ken Stolle Chairman Rich Savage Director

December 8, 1998

To: The Honorable James S. Gilmore III, and Members of the Virginia General Assembly:

House Joint Resolution 247, agreed to by the 1998 General Assembly, directed the Virginia State Crime Commission to conduct a study on the public notice and hearing process for alcoholic beverage license applications and revocations of the Department of Alcoholic Beverage Control and to submit its findings and recommendations to the Governor and 1999 session of the General Assembly.

In fulfilling this directive, a study was conducted by the Virginia State Crime Commission in 1998. I have the honor of submitting herewith the study report.

Respectively submitted,

Kenneth W. Stolle

Chairman

KWS:jrp

## **Executive Summary**



Virginia State
Crime Commission

The Alcoholic Beverage Control Board Public Notice & Hearing Process

January 1999

Assembly passed House Joint Resolution 247 directing the Virginia State Crime Commission as lead agency to conduct a study on the public notice and hearing process for license applications and regulatory violations of the Virginia Alcoholic Beverage Control Board. Specifically, HJR 247 requested that the Crime Commission examine:

 The ABC Board's hearing process as it relates to license applications and regulatory violations, including the timing, location and rules of procedure, and the taking of evidence in relation to the conduct of such hearings, to ensure ample opportunity for meaningful participation by the citizens and local governments of the Commonwealth; and  Solicit comments from citizens, civic organizations and local governments, as well as representatives of retail licensees, on the sufficiency and effectiveness of the ABC Board's public notice and hearing process.

# Findings & Recommendations

The Crime Commission staff found the process for public participation in the license application procedure to be adequate. Two issues did indicate the need for adjustments: timing and location of the license hearings.

#### Recommendation I:

The Crime Commission shall direct a letter to the Virginia Alcoholic Control Beverage Board requesting that the Department consult with local organizations and individuals to determine the most convenient and accessible location in which to hold license hearings.

#### Recommendation II:

The Crime Commission shall include in the aforementioned letter a request that the Department hold license hearings in the evening hours to enable the public to participate in the process.



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## **Authority for Study**

The 1998 General Assembly approved House Joint Resolution 247 (HJR 98/Jones, D.) directing the Virginia State Crime Commission to conduct a study on the public notice and hearing process for license applications and regulatory violations of the Virginia Alcoholic Beverage Control (ABC) Board.

Section 9-125 of the Code of Virginia establishes and directs the Virginia State Crime Commission "to study, report, and make recommendations on all areas of public safety and protection." Section 9-127 of the Code of Virginia provides that "the Commission shall have the duty and power to make such studies and gather information in order to accomplish its purpose, as set forth in Section 9-125, and to formulate recommendations to the governor and the General Assembly." Section 9-134 authorizes the Commission to "conduct private and public hearings." The Virginia State Crime Commission, in fulfilling its legislative mandate, undertook the study of the hearing procedures for both license applications and regulatory violations or revocations of the ABC Board.

#### Members Appointed to Serve

Public Safety Subcommittee	Governmental Affairs Subcommittee
Senator Thomas K. Norment, Jr., Chair	Delegate Raymond R. Guest, Chair
Sheriff Terry W. Hawkins	Delegate R. Creigh Deeds
Senator Janet D. Howell	The Honorable Mark L. Earley
The Honorable Robert J. Humphreys	Delegate A. Donald McEachin
Delegate Clifton A. Woodrum	The Honorable William C. Petty
Senator Kenneth W. Stolle, ex-officio	Senator Kenneth W. Stolle, ex-officio

The HJR 247 study of the ABC Board's public notice and hearing procedures was assigned to the Governmental Affairs Subcommittee.

## Introduction

#### Report Organization

The remaining sections of this report present the results of the Virginia State Crime Commission's analysis of the ABC Board public notice and hearing process. Section II provides an overview of the report's study design. Section III presents background information concerning the ABC Board. Study objectives and issues are discussed in Section IV and discussion is in Section V. The findings and recommendations are laid out in Section VI of this report.

## Study Design

Staff began their study of Virginia's ABC Board's public hearing and notification process by reviewing the Board's regulatory handbook which outlines the procedures for public notice of a license application and the procedures for public notice of a license revocation hearing. The study was conducted in collaboration with representatives of local government, retail trade industry, civic organizations, and local law enforcement. A survey was developed and disseminated to local entities of government, trade association representatives, civic and neighborhood associations, and local police departments. The survey instrument and results are attached in the Appendix B<sup>1</sup>.

Staff also conferred with ABC Board staff and attended license application hearings. In a previous study of the ABC Board hearing procedures (House Document No. 48/1997) by the State Crime Commission, a recommendation was made for the design and printing of an easy-to-understand informational brochure for public distribution. The brochure would outline the process for license application, the process for public input, and the process for filing a complaint. At the initiation of this study, Crime Commission staff found that this recommendation had not been completed. The brochure was finished and is not available to the public upon request. The brochure is also distributed to interested parties when a license application is received.

Approximately 300 surveys were mailed in July, 1998 to local governments, trade associations, civic organizations, and local police departments. Approximately 150 responses were received, although there was very little response from the civic organizations.

## Background

Virginia has a system of government-controlled sales of liquor through a statewide network of state-owned package stores. The ABC Board operates the stores. Beer and wine are regulated by the ABC Board. Virginia Code §4.1-103 authorizes the Board to "promulgate and reasonable regulations... which it deems necessary to carry out the provisions of the statutory title and to prevent the illegal manufacture, bottling, sale, distribution, and transportation of alcoholic beverages."

Localities have limited discretion to govern the manufacture, sale and use of alcoholic beverages. "No county, city, or town shall... adopt any ordinance or resolution which regulates the manufacture, bottling, possession, sale, distribution, handling, transportation, drinking, use, advertising, or dispensing of alcoholic beverages in the Commonwealth." Exceptions which were statutorily granted to localities include: regulation of the hours of sale of wine and beer, collection of licensing taxes, public drinking, referendum for establishing government stores, and the referendum on the sale of mixed beverages. There are opportunities for local governments, civic organizations, and individual citizens to participate in issuance and review of ABC retail licenses. This study examined these opportunities to determine if they are adequate.

 <sup>§4.1-111,</sup> Code of Virginia.
 §4.1-128, Code of Virginia.

<sup>&</sup>lt;sup>4</sup> §4.1-129, §4.1-205, §4.1-128B, §4.1-121, and §4.1-124, Code of Virginia

## Study Objectives & Issues

The following issues were developed by Crime Commission staff in determining if changes to the current regulations governing public notice and input into the license and revocation processes are needed:

#### Statutory Notification

- Are the statutory notifications (e.g., posting on premises, publication in local newspapers, notification to local governing bodies) sufficiently enforced by the ABC Board? How?
- Are these measures providing adequate (e.g., timely, visible) notification to inform the community of the pending license application?
- Does the ABC Board affirmatively seek out public input from parties known to have an interest in ABC licensing matters, including civic or community organizations? If so, how does the ABC Board seek input from these parties?

#### Timing of Hearings

- Do current Virginia ABC Board procedures for notification of the time and place of a hearing provide objectors and license applicants with sufficient advance notice of the hearing?
- Are hearings scheduled sufficiently far in advance to provide all parties with adequate time to prepare for the hearing?
- Are all parties consulted in the scheduling of the time of the hearing?
- Would evening hearings be more convenient to all parties who desire to attend or participate in the hearing?

#### Location of Hearing

- Where are the hearings typically held? (Richmond or the local jurisdiction)
- Are all parties consulted in the location of the hearing?
- What is the nature of hearing facility, i.e., Community center? Courthouse? State or local government conference room?
- Does the nature of the facility used encourage or discourage attendance at the hearing?

## Study Objectives & Issues

 Are hearings typically held in a facility which is convenient and accessible to all parties, i.e., accessible by public transit? Handicapped accessible or otherwise meets applicable ADA requirements? Provides ample free parking?

#### Rules of Procedure

- Are the ABC Board's rules of procedures disseminated to all parties prior to any hearing? In what format: Brochure? Letter?
- Are all parties sufficiently informed in advance of the hearing as to the nature of the proceedings and the objections to the license application?
- Do parties have an opportunity prior to the hearing to raise questions regarding the rules of procedure?
- Are parties required to be represented by an attorney at the hearing? If no, would it be beneficial?
- Where there are multiple objectors to a license application, may the parties appoint a common representative?
- May any interested party appear at a hearing or must the party first file an objection to the license application?
- Are license applications informed in advance of the hearing of the persons who will appear in opposition to the application?
- In order to provide license applications an opportunity to appropriately respond to objections, should objections be required to be filed in advance of the hearing?
- Are there sanctions if either the applicant or objector fails to appear at a hearing, causing a delay in the process?
- May any citizen, community representative or local governments appoint spokespersons to testify or must each individual in opposition or support appear individually?
- May any citizen, community representative, or local government official who appears at the hearing testify? Or are only the initial objectors permitted to testify?
- Must each individual who testifies have first hand knowledge related to the application or are they permitted to relate the concerns or support of other individuals?

## Study Objectives & Issues

- Are letters of support or opposition and petitions accepted as evidence in hearings? Are other forms of hearsay testimony accepted at the hearing?
- Are witnesses subject to cross-examination by adverse parties? And, if so, are there
  safeguards against aggressive or abusive cross-examination of citizens who appear?
- Are parties to a hearing provided with an opportunity to present rebuttal evidence?

#### Discussion

# Licensing Procedures: Statutory Notification, Timing and Location of Hearings

According to §4.1-230 all applicants for retail ABC licenses are required to post and publish the statutory notices of their applications. Posted notices are printed on 11" by 17" orange paper, and must be posted on the front door of the establishment seeking licensure. Special Agents conducting background investigation of prospective licensees visit the establishments and observe the notice. Applicants are also required to file an affidavit, attesting under oath to the dates of posting and publishing. Local governing bodies are contacted by the regional offices on all applications that require such notification. Notification is made to the county or city attorney or the sheriff or chief of police. If a locality wishes to specify who to notify, ABC honors that request. No action is taken on an application until posting and publishing is complete, and either position is received from locality or thirty days have passed. Current Virginia ABC Board procedures require that a minimum of ten days' notice of the time and place of a hearing be given to objectors and license applicants. In practice, ABC usually schedules hearings 3 to 5 weeks in advance.

When the investigation identifies objections that are cognizable under the Alcoholic Beverage Control Act, the agent routinely contacts neighboring residents and school officials for their input. In some jurisdictions, notably Richmond and Norfolk, community organizations, such as homeowners' associations or civic leagues, have expressed interest in being consulted on any application within a certain geographical area. When these requests are made, the local agent will contact the community organization on any application within its area. In some localities, the local governing body contacts the community associations as part of its review.

All evidentiary hearings are held in the local area where the applicant business is located. If either party is dissatisfied with the decision of the hearing officer, the case can be appealed to the ABC Board in Richmond. Except in unusual circumstances, a hearing before the Board involves only argument. All evidence is presented at the local hearing.

The ABC currently uses primarily the ABC regional office to hold its hearings. Parties involved in the hearing are not consulted as to the location of the hearing, nor are the local residents. The survey indicated that respondents were interested in having the hearings held in a convenient government or school building.

The hearings are generally held during the daytime. The ABC Board contends that this is convenient to those involved in the application process: hearing officer, applicant, applicant's and objector's attorney. It is, however, not necessarily convenient to community residents who may object but are unable to be represented by legal counsel.

Nineteen hundred (1900) applications were granted in Virginia in 1997.

### Discussion

#### Rules of Procedure

The ABC Board's rules of procedure are sent to each party to a hearing along with the hearing notice. The notice contains a complete statement of the issues involved in the hearing, including all objections. This is sent to all parties, usually 3 to 5 weeks in advance of the hearing. Hearing officers are available during the normal business hours to answer procedural questions from interested parties. In addition, unless waived, an informal conference is held immediately prior to every hearing to address such questions.

Parties are not required to be represented by an attorney. While having attorneys experienced in ABC law and regulations representing both parties can sometimes make a hearing run smoother, parties are generally capable of presenting their cases without counsel. Multiple objectors may appoint a common representative. This is often preferred, as it simplifies the hearing process.

Hearings are open to the public, and anyone may attend. However, those who have filed objections are in charge of their case. Only those who the objectors desire to have heard in support of their case will be allowed to testify. Applicants are informed in the hearing notice as to who has filed objections and the nature of the objections. Since parties are required to pre-file lists of prospective witnesses, they may not know the identity of all those who may appear to testify. It is important to note that hearings are held <u>only</u> if there are objections. If no objections are filed, a hearing is not held. If a party fails to appear at the hearing the hearing officer will proceed to take evidence available from those in attendance and decide the case without the absent party's input. If the non-appearance is the result of some unavoidable circumstance, the hearing can be reopened.

#### Taking of evidence

When an objection is made by some community group or local government, the objectors usually appoint a spokesperson or spokespersons. Only the objections noted in the hearing notice may be raised at the hearing. The groups or individuals who made the objections are in control of their case. Others who attend may only testify at the request of or at least with the permission of the objectors of record. Hearsay is admissible at ABC hearings, so individuals may relate matters told to them by others. However, second-hand testimony is given much less weight than testimony relating first-hand knowledge. Petitions or letters are accepted as exhibits, but are given less weight than in-person testimony.

Witnesses are subject to cross-examination. It is the role of the hearing officer to ensure that citizens who appear are not subjected to aggressive or abusive cross-examination. ABC hearings are conducted similarly to a civil trial in the circuit courts. Parties are allowed an opportunity for rebuttal evidence.

#### Discussion

#### **Regulatory Violations**

Regulatory or license violations are handled in much the same manner as the issuance of licenses. When a violation of the ABC regulations occurs, a hearing is set to determine the course of action to be taken against the retailer. An ABC hearing officer holds the hearing in the locality where the violation occurs. The decision of the hearing can be appealed to the State ABC Board in Richmond. Remedies beyond this level must be sought in circuit court. In 1997 62 licenses were revoked. Twenty (20) revocations were appealed to the State ABC Board and eight (8) were appealed to the circuit court. This represents a relatively small number compared to the number of licenses granted in the same time period.

In the survey results few respondents had attended a regulatory hearing. Most of the respondents were from local law enforcement. Staff investigated the feasibility of conducting a second study on establishing a separate system for regulatory hearings with independent hearing officers. The Crime Commission did not approve the study.

## Findings and Recommendations

The Crime Commission staff found the process for public participation in the license application procedure to be adequate. Two issues did indicate the need for adjustments: timing and location of the license hearings. In general the notification procedures appear to be adequate in getting the message to the community. This was confirmed in the survey results as well. Timing and location of hearings, however, did appear to need further consideration, based upon the survey results.

The ABC Board should consider consulting interested parties in a locality as to where the most convenient and accessible location would be to hold the hearings. This will improve community relations and potentially enhance participation.

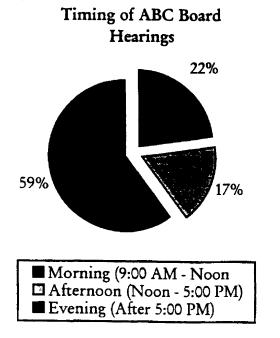
The survey results indicate that the majority of the respondents would prefer that the hearings be held in the evening hours. While this could represent somewhat of a burden on the ABC staff, consideration should be given to changing the time hearings are held to ensure that the public has the opportunity for full participation.

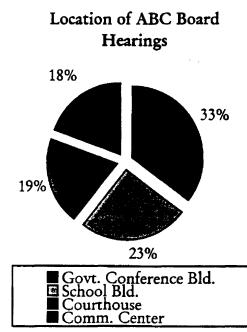
#### Recommendation I:

The Crime Commission shall direct a letter to the State Alcoholic Control Beverage Board requesting that the Department consult with local organizations and individuals to determine the most convenient and accessible location in which to hold license hearings.

#### Recommendation II:

The Crime Commission shall include in the aforementioned letter a request that the Department hold license hearings in the evening hours to enable the public to participate in the process.





## Acknowledgements

Crime Commission staff wishes to thank the following individuals and organizations for their assistance in the conduct of this study:

Staff of the Department of Alcoholic Beverage Control Board Representatives of the Retail Beverage Industry Virginia Municipal League Virginia Association of Chiefs of Police Richmond City Manager's Office

## Appendix A

#### HOUSE JOINT RESOLUTION NO. 247

Directing the Virginia State Crime Commission to examine the public notice and hearing process of the Alcoholic Beverage Control Board.

Agreed to by the House of Delegates, February 17, 1998 Agreed to by the Senate, March 10, 1998

WHEREAS, the General Assembly has prescribed in §4.1-230 of the Code of Virginia the process for notifying citizens of a pending license application, by requiring the posting of a notice by the applicant on the front door of the building, place or room where an applicant for an ABC license proposes to engage in such business; and

WHEREAS, this provision requires that the applicant publish a notice in a newspaper having a general circulation in the county, city, or town wherein such applicant proposes to engage in such business; and

WHEREAS, the General Assembly has prescribed that the Alcoholic Beverage Control (ABC) Board notify local governing bodies of such application to provide an opportunity for local governing bodies to voice objections; and

WHEREAS, upon the objection of any citizen, community organization, or local government, the ABC Board conducts a hearing, open to the public, to hear testimony and receive other evidence pertinent to the ABC license application; and

WHEREAS, an examination of the sufficiency of public input in the licensure process requires careful examination of current law and regulation as well as a number of complex fiscal and policy issues; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Virginia State Crime Commission be directed to examine the public notice and hearing process of the Alcoholic Beverage Control Board. In conducting the study, the Commission shall examine the ABC Board's hearing process as it relates to license applications and regulatory violations, including the timing, location and rules of procedure, and the taking of evidence in relation to the conduct of such hearings, to ensure ample opportunity for meaningful participation by the citizens and local governments of the Commonwealth. The Commission shall solicit comments from citizens, civic organizations and local governments, as well as representatives of retail licensees, on the sufficiency and effectiveness of the ABC Board's public notice and hearing process.

All agencies of the Commonwealth shall provide assistance to the Commission for this study, upon request. The Commission shall complete its work in time to submit its findings and recommendations to the Governor and the 1999 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

Survey of local entities of government, trade association representatives, civic and neighborhood associations, and local police departments:

## Survey Summary

This survey consists of two sections: attendance at Virginia Alcoholic Beverage (ABC) Control Board public hearings, and sources of information/location of these hearings. Please complete each item on this survey, either writing in the information requested or selecting the applicable boxes as they apply.

#### Attendance at ABC Board Public Hearings

(1) The Virginia Alcoholic Beverage and Control Board regularly holds public hearings concerning license applications, regulatory violations, and license revocations for local businesses. Have you heard about these hearings?

	rrequency	Ferceni
Yes (Continue with Question 2)	111	75%
No (Skip to Question 11)	36	25%

#### Licensing Application Public Hearings

(2) Have you ever attended a Virginia ABC Board licensing application public hearing?

	Frequency	Percent
Yes (Continue with Question 3)	32	29%
No (Skip to Question 5)	79	71%

(3) In your opinion, would you say that licensing application hearings provide an excellent, good, fair, or poor opportunity for THE PUBLIC to provide input?

	rrequency	Percent
Excellent	13	41%
Good	7	22%
Fair	7	22%
Poor	5	16%



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(4)	(In your opinion, would you say that licensing application hearings provide an excellent, good, fair, or poor opportunity) for LOCAL GOVERNMENTS to provide input?						
			Frequency	Percent			
		Excellent	14	44%			
		Good	9	28%			
		Fair	7	22%			
		Poor	2	6%			
Regu	latory V	iolation Public Hearings					
(5)	Have	you ever attended a Virginia ABC Board regul	atory violation public hearin	g?			
			Frequency	Percent			
		Yes (Continue with Question 6)	23	21%			
		No (Skip to Question 8)	88	79%			
(6)		our opinion, would you say that regulatory violator or poor opportunity for THE PUBLIC to provide	<u> </u>	ellent, good,			
			Frequency	Percent			
		Excellent	7	30%			
		Good	10	44%			
		Fair	2	9%			
		Poor	4	17%			
(7)		our opinion, would you say that regulatory viol or poor opportunity) for LOCAL GOVERNMEN		ellent, good,			
			Frequency	Percent			
		Excellent	8	35%			
		Good	9	39%			
		Fair	4	17%			
		Poor	2	9%			

License Revocation Public Hearings



(8)	Have you ever attended a Virginia ABC Board license revocation public hearing?				
			Frequency	Percent	
		Yes (Continue with Question 9)	23	21%	
		No (Skip to Question 11)	88	79%	
(9)	-	ur opinion, would you say that license revocation heat or opportunity for THE PUBLIC to provide input?	arings provide an excell	ent, good, fair,	
			Frequency	Percent	
		Excellent	7	30%	
		Good	11	48%	
		Fair	2	9%	
		Poor	3	13%	
(10)		our opinion, would you say that license revocation he or poor opportunity) for LOCAL GOVERNMENTS to	provide input?	-	
			Frequency	Percent	
		Excellent	8	35%	
		Good	. 9	39%	
		Fair	5	22%	
		Poor	1	5%	
Sourc	es of I	nformation; Location of Hearings			
(11)		what sources do you get your information concerning ck all that apply)	g government generally?	?	
			Frequency	Percent	
		TV News	92	63%	
		Newspapers	126	. 86%	
		Radio	62	42%	
		Internet	28	19%	
		Mailings from Government (i.e., utility bills)	87	59%	
		Other Government Meetings	68	46%	
		Word of Mouth	58	39%	
		Place of Worship	0	0%	
	П	Other (Specify)	Direct Mail: I	obbviete:	



Virginia Register; VML/VACO

(12) If the Virginia ABC Board asked you "what is the **ONE** source from which you would like to get information about ABC Board hearings," what would you say?

	Frequency	Percent
TV News	10	7%
Newspapers	51	36%
Radio	2	1%
Internet	4	3%
Mailings from Government (i.e., utility bills)	56	39%
Other Government Meetings	1	1%
Word of Mouth	0	0%
Place of Worship	0	0%
Other (Specify):	Direct Mail; Register; VM ABC Office	_

(13) Thinking now about the *location* of ABC Board hearings, if the Virginia ABC Board asked you "what is the **ONE** most convenient place in your area for holding ABC Board hearings," what would you say?

	Frequency	Percent
School Building	32	23%
Courthouse	27	19%
Government Conference Room	47	33%
Local Community Center	26	18%
Other (Specify):	ABC Office;	Library; All of
	the Above	

(14) What is the most convenient time for you to attend public hearings?



		Frequency	Percent
	Morning (i.e., bwt. 9:00 am and 12:00 noon)	32	22%
	Afternoon (i.e., bwt. 12:00 noon and 5:00 pm)	25	17%
	Evening (i.e., after 5:00 pm)	85	59%
**Ar	y Time	4	3%

(16) Sometimes we need to get in touch with respondents to ask another question or two, or to clarify your answers. Could you please provide your name, phone number, and organization information below? (ORGANIZATION PERCENTAGES SUPPLIED BELOW)

	Frequency	Percent
Local Government	66	45%
Civic Organization	32	22%
Local Law Enforcement	26	18%
Administrative Law	13	9%
Industry	7	5%
Other	2	1%

# VIRGINIA STATE CRIME COMMISSION STAFF

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