Form: TH-03 August 2022



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Final Regulation Agency Background Document

Agency name	The Virginia Alcoholic Beverage Control Authority	
Virginia Administrative Code (VAC) Chapter citation(s)		
VAC Chapter title(s)	Procedural Rules for Conduct of Hearings Before the Board and Its Hearing Officers	
Action title	Chapter 10 Reform	
Date this document prepared	11/25/2024	

This information is required for executive branch review and the Virginia Registrar of Regulations, pursuant to the Virginia Administrative Process Act (APA), Executive Order 19 (2022) (EO 19), any instructions or procedures issued by the Office of Regulatory Management (ORM) or the Department of Planning and Budget (DPB) pursuant to EO 19, the Regulations for Filing and Publishing Agency Regulations (1 VAC 7-10), and the *Form and Style Requirements* for the Virginia Register of Regulations and Virginia Administrative Code.

Brief Summary

Provide a brief summary (preferably no more than 2 or 3 paragraphs) of this regulatory change (i.e., new regulation, amendments to an existing regulation, or repeal of an existing regulation). Alert the reader to all substantive matters. If applicable, generally describe the existing regulation.

A comprehensive review and amendment of the full chapter. The intent is to remove any redundancies or language that contradicts the Code of Virginia, modernize various processes, and make sure the regulations comport with current practices for hearings before the Board.

Acronyms and Definitions

Define all acronyms used in this form, and any technical terms that are not also defined in the "Definitions" section of the regulation.

Statement of Final Agency Action

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Provide a statement of the final action taken by the agency including: 1) the date the action was taken; 2) the name of the agency taking the action; and 3) the title of the regulation.

- 1) December 3, 2024
- 2) Virginia Alcoholic Beverage Control Authority
- 3) Procedural Rules for Conduct of Hearings Before the Board and Its Hearing Officers

Mandate and Impetus

List all changes to the information reported on the Agency Background Document submitted for the previous stage regarding the mandate for this regulatory change, and any other impetus that specifically prompted its initiation. If there are no changes to previously reported information, include a specific statement to that effect.

There are no changes to the mandate and impetus since the previous action.

Legal Basis

Identify (1) the promulgating agency, and (2) the state and/or federal legal authority for the regulatory change, including the most relevant citations to the Code of Virginia and Acts of Assembly chapter number(s), if applicable. Your citation must include a specific provision, if any, authorizing the promulgating agency to regulate this specific subject or program, as well as a reference to the agency's overall regulatory authority.

- 1) The promulgating agency is the Virginia Alcoholic Beverage Control Authority.
- 2) Section 4.1-101 of the Code of Virginia (Code) establishes the Virginia Alcoholic Beverage Control Authority (ABC Board.)

Section 4.1-103 of the Code enumerates the powers of the Board which includes the authority to adopt regulations and to do all acts necessary or advisable to carry out the purposes of Title 4.1 of the Code (ABC Act).

Section 4.1-103(7) states the Board has the authority to adopt, alter, and repeal bylaws, rules, and regulations governing the manner in which its business shall be transacted and the manner in which the powers of the Authority shall be exercised and its duties performed.

Section 4.1-103(21) permits the Board to hold and conduct hearings; issue subpoenas requiring the attendance of witnesses and the production of records, memoranda, papers and other documents before the Board or any agent of the Board; and administer oaths and take testimony thereunder. The Board may authorize any Board member or agent of the Board to hold and conduct hearings, issue subpoenas, administer oaths and take testimony thereunder, and decide cases, subject to final decision by the Board, on application of any party aggrieved. The Board may enter into consent agreements and may request and accept from any applicant or licensee a consent agreement in lieu of proceedings on (i) objections to the issuance of a license or (ii) disciplinary

action. Any such consent agreement shall include findings of fact and may include an admission or a finding of a violation. A consent agreement shall not be considered a case decision of the Board and shall not be subject to judicial review under the provisions of the Administrative Process Act (§ 2.2-4000 et seq.), but may be considered by the Board in future disciplinary proceedings;

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Section 4.1-103(24) permits the Board to promulgate regulations in accordance with the Administrative Process Act and Section 4.1-111.

Section 4.1-103.03(B) states the Board may use mediation or a dispute resolution proceeding in appropriate cases to resolve underlying issues or reach a consensus or compromise on contested issues.

Section 4.1-111 (A) of the Code provides the Board with the authority to adopt reasonable regulations which it deems reasonable to carry out the provisions of the ABC Act and to amend or repeal such regulations.

Purpose

Explain the need for the regulatory change, including a description of: (1) the rationale or justification, (2) the specific reasons the regulatory change is essential to protect the health, safety, or welfare of citizens, and (3) the goals of the regulatory change and the problems it is intended to solve.

This regulation is essential to protect the health, safety, and welfare of citizens because it provides guidance for administrative proceedings at VA ABC that are impactful to the regulated licensees and the communities where they operate. This regulation provides guidance for how administrative proceedings will be conducted and provides essential information necessary to interested parties about how to exercise their due process rights.

Substance

Briefly identify and explain the new substantive provisions, the substantive changes to existing sections, or both. A more detailed discussion is provided in the "Detail of Changes" section below.

There is one new substantive provision; Section 3VAC5-10-490. This provision gives guidance for how the Authority handles mediations.

There is one substantive change to an existing provision in Section 3VAC5-10-160. This provision is revised to include guidance for negotiations as an option for dispute resolution.

Issues

Identify the issues associated with the regulatory change, including: 1) the primary advantages and disadvantages to the public, such as individual private citizens or businesses, of implementing the new or amended provisions; 2) the primary advantages and disadvantages to the agency or the Commonwealth; and 3) other pertinent matters of interest to the regulated community, government officials, and the public. If there are no disadvantages to the public or the Commonwealth, include a specific statement to that effect.

The primary advantage to the public is that these changes bring additional clarity to VA ABC's
procedural rules for hearings before the Authority. It also includes information regarding mediations
that is not currently included in the regulations. The regulation changes include gender neutral

identifiers which is advantageous to the public as it is more inclusive. VA ABC's position is that there are not disadvantages to the public resulting from these changes.

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- 2) The advantages to the Commonwealth include clarity to VA ABC's procedural rules for hearings before the Authority. VA ABC's position is that there are no disadvantages to the Commonwealth as a result of these regulatory changes.
- 3) The same advantages that are outlined for the public and the Commonwealth represent the pertinent matters of interest to the regulated community, government officials and the public.

Requirements More Restrictive than Federal

List all changes to the information reported on the Agency Background Document submitted for the previous stage regarding any requirement of the regulatory change which is more restrictive than applicable federal requirements. If there are no changes to previously reported information, include a specific statement to that effect.

There no requirements that exceed applicable federal requirements.

Agencies, Localities, and Other Entities Particularly Affected

List all changes to the information reported on the Agency Background Document submitted for the previous stage regarding any other state agencies, localities, or other entities that are particularly affected by the regulatory change. If there are no changes to previously reported information, include a specific statement to that effect.

Other State Agencies Particularly Affected

NA

Localities Particularly Affected

NΑ

Other Entities Particularly Affected

NA

Public Comment

<u>Summarize</u> all comments received during the public comment period following the publication of the previous stage, and provide the agency's response. Include all comments submitted: including those received on Town Hall, in a public hearing, or submitted directly to the agency. If no comment was received, enter a specific statement to that effect.

There was no public comment following the previous stage.

Commenter	Comment	Agency response

Detail of Changes Made Since the Previous Stage

List all changes made to the text since the previous stage was published in the Virginia Register of Regulations and the rationale for the changes. For example, describe the intent of the language and the expected impact. Describe the difference between existing requirement(s) and/or agency practice(s) and what is being proposed in this regulatory change. Explain the new requirements and what they mean rather than merely quoting the text of the regulation. * Put an asterisk next to any substantive changes.

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There are no changes made since the previous stage.

Current New New requirement chapter- chapter- from previous requirement since chapter- chapter

chapter- section number	chapter- section number, if applicable	from previous stage	requirement since previous stage	and likely impact of updated requirements

Detail of All Changes Proposed in this Regulatory Action

List all changes proposed in this action and the rationale for the changes. For example, describe the intent of the language and the expected impact. Describe the difference between existing requirement(s) and/or agency practice(s) and what is being proposed in this regulatory change. Explain the new requirements and what they mean rather than merely quoting the text of the regulation. *Put an asterisk next to any substantive changes.

Current chapter- section number	New chapter- section number, if applicable	Current requirements in VAC	Change, intent, rationale, and likely impact of new requirements
3VAC5-10-10		Currently states interested parties may appear in administrative proceedings. Explains the hearing may continue without the appearance of the interested party.	 Changed "hearing officer" to "administrative law judge" Changed "board" to "Authority" Added provision allowing hearings to be conducted virtually. The intent and rationale was to update the language with current terminology and provide notice that a hearing may be held virtually. There should be no or minimal impact resulting from these revisions.
3VAC5-10-20		Currently states oral and written argument may be submitted.	 No change in requirements Changes "hearing officer" to "administrative law judge". The intent and rationale was to update the language with current terminology.
3VAC5-10-30		Currently states interested party may be represented by an attorney	 No change in requirements Changes "hearing officer" to "administrative law judge". Changes "board" to "Authority"

Current chapter-section number	New chapter- section number, if applicable	Current requirements in VAC	Change, intent, rationale, and likely impact of new requirements
			The intent and rationale was to update the language with current terminology.
3VAC5-10-40		Currently directs communications be sent to the Chief Hearing Officer	 Changes "hearing officer" to "administrative law judge". Revises the name of the department to Hearings, Appeals, and Judicial Services. Directs interested parties to send communications to the chief clerk and not the chief administrative law judge.
			The intent and rationale is that communications should come to the chief clerk and the chief clerk will direct the communication to the appropriate judge that is hearing the matter that is the subject of the communication. This should result in no impact resulting from this change.
3VAC5-10-50		Currently directs third parties to direct complaints to the Director of the Bureau of Law Enforcement	 No changes in requirements Changes "director" to "Chief" Changes "hearing officer" to "administrative law judge". The intent and rationale was to update the language with current terminology.
3VAC5-10-60		Currently states motions to continue shall be granted as actions in law.	 No changes in requirements Changes "hearing officer" to "administrative law judge". Revises the name of the department to Hearings, Appeals, and Judicial Services. The intent and rationale was to update the language with current terminology.
3VAC5-10-70		Currently provides clarification as to how initial decisions are disseminated.	 No changes in requirements Changes "hearing officer" to "administrative law judge". Changes "board" to "Authority" Corrected the typo "bases" to "basis". The intent and rationale was to update the language with current terminology.
3VAC5-10-80		Currently explains how cases are placed on the docket.	 No change in requirements Changes "hearing officer" to "administrative law judge".

Current chapter- section number	New chapter- section number, if applicable	Current requirements in VAC	Change, intent, rationale, and likely impact of new requirements
			Changes "board" to "Authority" The intent and rationale was to update the language with current terminology.
3VAC5-10-90		Currently provides guidance as to who may submit evidence in a matter; conduct cross-examinations; the handling cumulative evidence; the handling of subpoenas, the stenographic report, and stipulations.	 Changes "hearing officer" to "administrative law judge". Changes "board" to "Authority" Changes "representatives" to interested parties to ensure that parties to actions meet the definition of interested parties. Only interested parties can crossexamine witnesses.
			The intent and rationale was to update the language with current terminology. Additionally, the intent of the changes is to prevent the unauthorized practice of law. Parties that have relied on other entities that are not interested parties to appear at hearings will be impacted.
3VAC5-10-100		Currently includes information regarding where a hearing shall be held and the hearing officer's authority to uphold order and decorum in a proceeding.	 Changes "hearing officer" to "administrative law judge". Changes "board" to "Authority" Includes language authorizing virtual or telephonic hearings. The intent and rationale was to update the language with current terminology. Additionally, the intent of the changes are to authorize virtual and telephonic hearings. The impact should be minimal and highly beneficial to licensees in that it provides more options for hearings.
3VAC5-10-110		Currently outlines the hearing officers' authority in presiding over administrative hearings.	 Changed "hearing officer" to "administrative law judge" (universal change). Changed "board" to "Authority" (universal change). Added Subsections (B)(11) and (12) to give ALJs the authority to conduct mediation between parties and to require the designation of a single representative from an interested group. The impact should be minimal and beneficial to the regulated

Current chapter- section number	New chapter- section number, if applicable	Current requirements in VAC	Change, intent, rationale, and likely impact of new requirements
			community. It provides for the mediation option which parties often find less adversarial than a hearing, and it makes hearings more efficient in that it allows for large groups of individuals to be represented by one interested party.
3VAC5-10-120		Currently defines interested parties.	 Changes "hearing officer" to "administrative law judge" Includes a definition of permittee. The impact should be minimal. There are no requirements changes and the changes provide a definition of permittee that had not previously been included in this regulation.
3VAC5-10-130		Currently provides guidance on motions practice before the Board.	 No change in requirements Changes "hearing officer" to "administrative law judge". Changes the division name to Hearings, Appeals, and Judicial Services. The intent and rationale was to update the language with current terminology.
3VAC5-10-150		Currently provides guidance to the consent settlement process	 No change in requirements Changes "board" to "Authority" The intent and rationale was to update the language with current terminology.
3VAC5-10-160		Currently provides guidance for Offers in Compromise	 Changes "hearing officer" to "administrative law judge". Includes guidance regarding the negotiation process. Extends the period for an offer in compromise; removed restrictive language regarding when an offer in compromise may be accepted. The intent and rationale was to update the language with current terminology. The new section should have no impact as it outlines a process that has been utilized since 2018.
3VAC5-10-170		Currently provides clarification as to what constitutes the record and how parties may request a copy of the record.	 No change in requirements Changes "hearing officer" to "administrative law judge". Changes "board" to "Authority"

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			The intent and rationale was to update the language with current terminology.
3VAC5-10-180		Currently outlines the process for requesting a rehearing.	 No change in requirements Changes "hearing officer" to "administrative law judge". Changes "board" to "Authority" The intent and rationale was to update the language with current terminology.
3VAC5-10-190		Currently provides guidance regarding self-incrimination.	 No change in requirements Changes "hearing officer" to "administrative law judge". Changes "board" to "Authority" The intent and rationale was to update the language with current terminology.
3VAC5-10-200		Currently provides guidance on subpoenas.	 No change in requirements Changes "hearing officer" to "administrative law judge". Changes "board" to "Authority" The intent and rationale was to update the language with current terminology.
3VAC5-10-210		Currently provides guidance for witnesses in administrative hearings.	 No change in requirements Changes "hearing officer" to "administrative law judge". Changes "board" to "Authority" The intent and rationale was to update the language with current terminology.
3VAC5-10-220		Currently provides guidance for how pre-hearing conferences are conducted.	 No change in requirements Changes "board" to "Authority" The intent and rationale was to update the language with current terminology.
3VAC5-10-230		Currently provides guidance as to who can represent the Authority.	 No change in requirements Changes "hearing officer" to "administrative law judge". Changes "board" to "Authority" Changes "director" to "Chief" of the Bureau of Law Enforcement. The intent and rationale was to update the language with current terminology.
3VAC5-10-240		Currently provides guidance for how appeals are handled at the Authority.	 No change in requirements Changes "hearing officer" to "administrative law judge". Changes "board" to "Authority"

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			The intent and rationale was to update the language with current terminology.
3VAC5-10-250		Currently provides guidance as to interested parties being represented by attorneys in appeals.	 No change in requirements Changes "board" to "Authority" The intent and rationale was to update the language with current terminology.
3VAC5-10-260		Currently provides guidance as to who to address communication to regarding appeals.	 Revises the name of the department to Hearings, Appeals, and Judicial Services. Directs interested parties to send communications to the chief clerk and not the chief administrative law judge.
			The intent and rationale is that communications should come to the chief clerk and the chief clerk will direct the communication to the appropriate judge that is hearing the matter that is the subject of the communication. This should result in no impact resulting from this change.
3VAC5-10-270		Currently provides guidance for requesting a continuance for an appeal.	Changes "Secretary to the Board" to "Chief Clerk of Hearings, Appeals, and Judicial Services. There should not be any impact on the regulated individuals. There is no longer a "secretary to the Board" position at VA ABC.
3VAC5-10-280		Currently provides guidance regarding the dissemination of final appeals' decisions.	 No change in requirements Changes "board" to "Authority" The intent and rationale was to update the language with current terminology.
3VAC5-10-290		Currently provides guidance regarding if and how the board may receive evidence during appeals	 No change in requirements Changes "hearing officer" to "administrative law judge". Changes "board" to "Authority" The intent and rationale was to update the language with current terminology.
3VAC5-10-300		Currently provides address for where appeals hearings will be held.	 No change in requirements Changes "board" to "Authority" The intent and rationale was to update the language with current terminology.

Current chapter- section number	New chapter- section number, if applicable	Current requirements in VAC	Change, intent, rationale, and likely impact of new requirements
3VAC5-10-310		Currently provides guidance regarding motions and requests in appeals hearings.	 No change in requirements Changes "hearing officer" to "administrative law judge". Changes "board" to "Authority" Directs interested parties to submit motions and requests to the Chief Clerk of the Hearings and Appeals Division. The intent and rationale was to update the language with current terminology. The impact is minimal in that the interested party has to change the name of the recipient for these documents.
3VAC5-10-320		Currently provides guidance regarding the notice of hearing.	No change in requirements Removes gender specific pronoun. The intent and rationale was to update the language to use gender neutral identifiers.
3VAC5-10-330		Currently provides guidance regarding the appeals record.	 No change in requirements Changes "board" to "Authority" Changes "Secretary to the Board" to "Chief Clerk of Hearings, Appeals, and Judicial Services. There should not be any impact on the regulated individuals. There is no longer a "Secretary to the Board" position at VA ABC. The intent and rationale was to update the language with current terminology.
3VAC5-10-340		Currently provides guidance regarding rehearings and reconsiderations in appeals	Repealed because the Authority does not have processes for these proceedings. There should not be an impact because these have not been proceedings anyone has taken advantage of in years.
3VAC5-10-350		Currently provides information that the scope of an appeals hearing will be limited to the record.	No change in requirements Changes "board" to "Authority" The intent and rationale was to update the language with current terminology.
3VAC5-10-360		Currently directs complaints regarding the Wine and Beer Franchise Act be submitted to Secretary of the Board	 No change in requirements Changes "Secretary to the Board" to "Chief Clerk of Hearings, Appeals, and Judicial Services. The intent and rationale was to update the language with current terminology. There should not be

Current chapter-section number	New chapter- section number, if applicable	Current requirements in VAC	Change, intent, rationale, and likely impact of new requirements
			any impact on the regulated individuals. There is no longer a "Secretary to the Board" position at VA ABC.
3VAC5-10-370		Currently provides guidance regarding franchise hearings.	 No change in requirements Changes "hearing officer" to "administrative law judge". Changes "board" to "Authority" The intent and rationale was to update the language with current terminology.
3VAC5-10-380		Currently provides guidance for appeals of franchise hearings.	 No change in requirements Changes "hearing officer" to "administrative law judge". Changes "board" to "Authority" The intent and rationale was to update the language with current terminology.
3VAC5-10-390		Currently provides guidance regarding hearings on price increases.	 No change in requirements Changes "hearing officer" to "administrative law judge". Changes "board" to "Authority" The intent and rationale was to update the language with current terminology.
3VAC5-10-400		Currently provides guidance on discovery in administrative hearings.	 No change in requirements Changes "hearing officer" to "administrative law judge". Changes "board" to "Authority" The intent and rationale was to update the language with current terminology.
3VAC5-410		Currently provides guidance as to when a hearing may be held telephonically.	 No change in requirements Changes "hearing officer" to "administrative law judge". Changes "board" to "Authority" The intent and rationale was to update the language with current terminology.
3VAC5-10-420		Currently provides guidance as to who may appear in a telephonic hearing.	 No change in requirements Changes "board" to "Authority" The intent and rationale was to update the language with current terminology.
3VAC5-10-430		Currently provides guidance regarding submission of arguments.	 No change in requirements Changes "hearing officer" to "administrative law judge". The intent and rationale was to update the language with current terminology.

Current chapter- section number	New chapter- section number, if applicable	Current requirements in VAC	Change, intent, rationale, and likely impact of new requirements
3VAC5-10-440		Currently provides guidance regarding the submission of evidence.	 No change in requirements Changes "hearing officer" to "administrative law judge". The intent and rationale was to update the language with current terminology.
3VAC5-10-450		Currently provides guidance regarding telephonic hearings	 No change in requirements Changes "hearing officer" to "administrative law judge". Changes "board" to "Authority" Updates the central office location. The intent and rationale was to update the language with current terminology.
	3VAC5-10-490		New regulation that includes guidance as to how to initiate mediation. The intent is to let interested parties know the process for meditation. Those who request to participate in mediation will be impacted by this new regulation, but it is beneficial to them because it provides a less adversarial approach to resolving administrative matters.