

Benefits of Control Systems

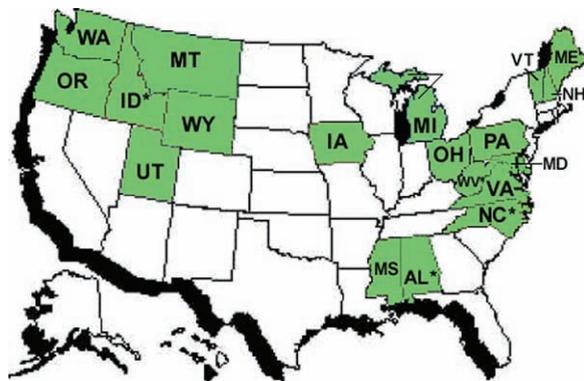
- Lower per-capita consumption.
- Fewer alcohol-related deaths.
- Fewer lost work days.
- Fewer health care issues.
- Safer roadways.

Why Control Systems Work

- Fewer outlets to purchase alcohol.
- Limited store hours.
- No employee incentive to sell.
- Higher prices produce lower consumption.
- Enforcement and licensing coordinated.
- Advertising prohibited.
- More revenue returned to state.
- Beer and wine pricing is regulated.

Control System Facts

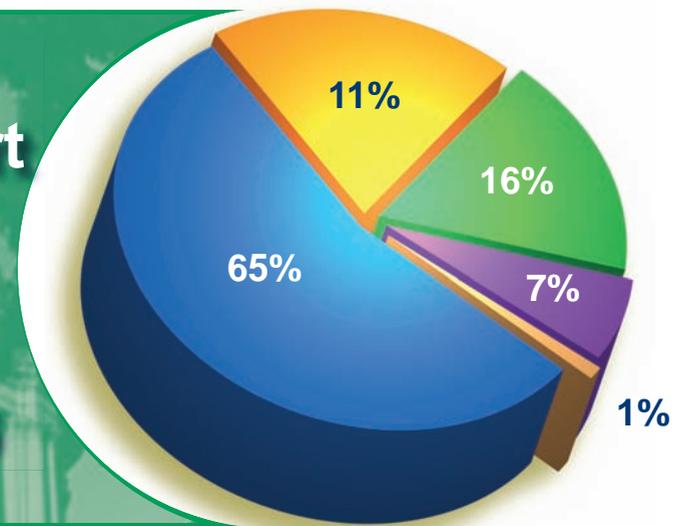
- 18 U.S. control states.
- Two control jurisdictions in Maryland.
- 28 percent of U.S. population lives in control states.
- Control states average 15.8 percent less per-capita consumption.
 - 1.6 gallons in control states.
 - 1.8 gallons in non-control states.
- Control states earn \$21 per gallon.
- Non-control states earn \$11 per gallon.



18 U.S. control states and two local jurisdictions in Maryland.

Revenue Distribution Chart

\$298 million returned to state in FY 2006



General Fund - \$195.3 million (65%)

More than half of the revenue earned by the Washington State Liquor Control Board goes to the state's General Fund to provide support for education, health care, transportation and many other programs. More than \$2 million annually is used for the Parent Child Assistance Program, which provides advocacy services to substance-abusing pregnant and parenting women and their children.

Cities and Counties - \$31.9 million (11%)

More than 11% percent of the revenue raised by the Board is sent back to cities and counties based on their population. It is used for alcohol prevention programs and for local government services such as law enforcement.

Health Services - \$47.7 million (16%)

The state's Basic Health Program serves more than 100,000 people annually who would otherwise have no access to medical care. Nearly 20 percent of Basic Health Program recipients receive health care funded by WSLCB revenues.

Education and Prevention - \$20.9 million (7%)

More than \$11 million in revenue raised from liquor taxes and sales supports the state's Violence Reduction Drug Enforcement account to fight drug and alcohol addiction.

- More than 700 pregnant women receive assistance.
- 4,000 adults receive outpatient treatment.
- 5,000 children receive treatment services.

Research - \$2.1 million (1%)

Funds from wine and beer taxes support a wide range of research projects at the state's major universities, including research on alcohol abuse and addiction at the University of Washington and wine and grape research at Washington State University.

Washington State Liquor Control Board FY 2006 Financial Statement

| INCOME | |
|--------------------|------------------------|
| Gross Liquor Sales | \$726.3 million |
| Beer Taxes | \$30.5 million |
| Wine Taxes | \$19.2 million |
| License Fees | \$10.8 million |
| Other | \$39.0 million |
| TOTAL | \$825.8 MILLION |

| EXPENSES | |
|---------------------------|------------------------|
| Product Expenses | |
| Cost of Product | \$329.0 million |
| Product Discounts | \$66.1 million |
| Sub-Total Product | \$395.1 million |
| Operating Expenses | |
| Retail Operations* | \$65.8 million |
| Licensing/Enforcement | \$12.9 million |
| General Operating | \$19.0 million |
| Operating Reserve | \$35.0 million |
| Total Operating | \$132.7 million |
| Distributions | |
| Returned to State | \$298.0 million |
| TOTAL | \$825.8 MILLION |

*(Stores/Purchasing/Distribution Center)

Board Members

Lorraine Lee, Chairman
Roger Hoen, Board Member
Ruthann Kurose, Board Member

Administrative Director

Pat Kohler

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Business Enterprise:

Retail Services

- Relocated 9 stores producing a 3.2 percent increase in sales.
- Installed Wide Area Network speeding transactions from 50 seconds to under 8.
- Installed video security system in state stores.
- Installed new point-of-sale equipment in stores.
- Sunday sales pilot program in 20 state and 35 contract stores.

Distribution Center

- Installed 45 new deck lanes for high-volume product.
- Expansion to 62,000 square-foot facility underway.
- Shipped more than 17,000 cases per day.
- Increased order fulfillment rate to 95 percent.

Purchasing

- Kept selections fresh with new and interesting products
- Introduced Supplier Scorecard to improve supplier performance.
- Enhanced product display to create more attractive stores.
- Converted many documents to electronic format.

Licensing:

- Processed 4,613 license applications in 2006. (2,315 new applications. • 1,418 assumptions. • 880 changes in status)
- New pre-approval process cut licensing time an average of 3 weeks.
- Licensed 400 new out-of-state authorized representatives.
- Upgraded online price posting system.

Enforcement:

- Performed 6,558 alcohol compliance checks.
- Provided ID/Over service training to 501 licensees and 5,048 of their employees.
- Conducted 4,524 enforcement actions
- Tobacco and Other Tobacco Product Tax Recovery Unit identified \$18.5 million in unpaid taxes.

Retail Services

- 161 state and 154 contract stores.
- \$726.3 million in annual sales.
- 800 full- and part-time employees.
- Customer-service emphasis.
- Inventory management.
- Store relocation/renovation.
- In-store merchandising strategies.

Distribution Center

- 77 employees.
- Receives and ships 4.62 million cases per year.
- Automated Warehouse Management System.
- 17,000 cases shipped daily.
- Conducts supplies and deliveries.

Purchasing

- 13 employees.
- Product selection.
- Merchandising programs.
- Supply management.
- Consumer and industry relations.

Licensing

- 43 employees, including license investigators and specialists.
- 14,604 licensed businesses.
- On- and off-premise licensing services.
- Services for non-English speaking clients.
- Mandatory Alcohol Server Training (MAST).
- Manufacture, Importation, and Wholesale (MIW) licensing services.

Enforcement

- 104 employees include liquor & tobacco enforcement officers.
- Ten statewide enforcement offices.
- Statewide compliance checks.
- Tobacco Tax and Other Tobacco Product (OTP) enforcement.
- Licensee education.

The mission of the Washington State Liquor Control Board is to prevent the misuse of alcohol and tobacco and promote public safety through controlled retail and wholesale distribution, licensing, regulation, enforcement and education.

History

The Washington State Liquor Control Board was formed in 1933 when the State Legislature passed the Steele Act. This followed ratification of the 21st Amendment to the U.S. Constitution, ending 12 years of prohibition.

Purpose

The state's control system protects the public from the harmful effects of alcohol by discouraging high rates of consumption. The Board controls the sale of packaged liquor through its 161 state and 154 contract stores and provides comprehensive licensing, regulation, enforcement and education programs.

Revenue Returned

In 2006, the Board returned \$298 million to the state and local governments and is expected to return more than \$4 billion in the next decade.

Size and Scope

More than 1,350 full- and part-time employees work at the Board, staffing state stores, moving product through a highly automated Seattle distribution center, issuing licenses to more than 14,500 businesses, overseeing regulation of beer and wine, enforcing liquor laws and providing other essential services.

Stakeholders

Stakeholder groups include our customers, elected officials, local governments, industry and business representatives, law enforcement personnel, public health organizations, media and the general public.

Balancing Revenue and Responsibility



The Washington State Liquor Control Board returned \$298 million to the state in FY 2006.

| | |
|------------------------|-----------------|
| State General Fund | \$195.3 million |
| Cities and Counties | \$31.9 million |
| Health Services | \$47.7 million |
| Education & Prevention | \$20.9 million |
| Research | \$2.1 million |

