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**Washington State Liquor Control Board**

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Olympia, WA 98501
(360) 664-1600 • www.liq.wa.gov

To obtain this publication in an alternative format, contact the agency ADA coordinator at (360) 664-1783.

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**Deputy Chief Steve Johnson, Officer Susan Anderson and Chief Justin Nordhorn accept the 2014 Liquor Law Enforcement Agency of the Year Award from the National Liquor Law Enforcement Association**

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### Contact Information

<table>
<thead>
<tr>
<th>Division</th>
<th>Phone Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Information</td>
<td>360-664-1600</td>
</tr>
<tr>
<td>Board Office</td>
<td>360-664-1717</td>
</tr>
<tr>
<td>Director’s Office</td>
<td>360-664-1719</td>
</tr>
<tr>
<td>Enforcement and Education</td>
<td>360-664-1731</td>
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<tr>
<td>Licensing and Regulation</td>
<td>360-664-1611</td>
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<td>Human Resources</td>
<td>360-664-1785</td>
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<tr>
<td>Information Technology</td>
<td>360-664-1744</td>
</tr>
<tr>
<td>Finance</td>
<td>360-664-1766</td>
</tr>
</tbody>
</table>
Dear Citizens of Washington,

It is our pleasure to present to you the Washington State Liquor Control Board (WSLCB) Fiscal Year (FY) 2014 Annual Report. This report provides key details about the agency’s mission, operations, and accomplishments between July 1, 2013 and June 30, 2014.

The year 2014 will undoubtedly go down in history as the year Washington State implemented a legal recreational marijuana market. Enacted by voters through Initiative 502, Washington became one of two states, the other being Colorado, to legalize marijuana for recreational use. As the agency charged with drafting the rules that govern Washington’s system as well as the regulator that issues licenses and enforces the law, the WSLCB has been central to Washington’s emerging system. This fiscal year saw the Board adopt the initial rules and issue the first licenses in March.

While the implementation of I-502 received considerable attention, the agency continues to be active on multiple fronts. Some highlights from FY 2014 include:

• **Lean Culture.** The agency continued its Lean journey by investing in leadership training, standardizing and aligning metrics from the bottom up, as well as furthering a culture of employee empowerment.

• **Responsible Vendors.** The Responsible Vendor Program (RVP) saw significant growth in FY 2014. The program, which rewards retail licensees who take positive steps toward preventing sales to minor and intoxicated persons, was expanded beyond spirits retailers to include beer and wine grocery stores.

• **Enforcement and Education.** The Enforcement and Education division strategically used “last drink” data from DUI reports to focus efforts on reducing incidents of over service and subsequent DUls. Officers conducted undercover checks and general premises checks to address this priority. The result as a 16 percent decrease from FY 13 averages.

As we write this at the close of calendar year 2014, changes are coming soon for the Board members. In January 2015, Board Chair Sharon Foster is retiring and Board Member Chris Marr is leaving the Board to pursue an opportunity in the private sector. Board Member Ruthann Kurose will continue to carry out her term.

Thank you for your interest in the Washington State Liquor Control Board.

Sincerely,

Sharon Foster
Board Chair

Ruthann Kurose
Board Member

Chris Marr
Board Member
The Board is composed of three members appointed by the Governor to six-year terms. Board members are responsible for hiring the agency's director, who manages day-to-day operations. The Board holds regular public meetings and work sessions with stakeholders, makes policy and budget decisions, and adjudicates contested license applications and enforcement actions on licensees.

Sharon Foster  
– Board Chair  
Sharon Foster, of Olympia, was appointed in August 2009. She is a retired self-employed contract lobbyist. Among her clients were the YMCA, the Washington Restaurant Association, the Council of Youth Agencies, and the California Wine Institute. She was the Washington YMCA Youth and Government Program Director for 10 years and served on the Heritage Park Board, overseers of the Capitol Lake park area. She has been involved with non-profit charitable organizations for over 30 years and stays involved with local and state politics.

Ruthann Kurose  
– Board Member  
Ruthann Kurose, of Mercer Island, was appointed in January 2007. She has previously served on the KCTS Public Television Advisory Board, Seattle Center Commissioner and the founding Chair of the Arts and Science Academy. In addition she served on the Bellevue College Board of Trustees for 12 years. She currently serves on the Seattle Art Museum Community Advisory Board, and the Children’s Campaign Fund Board. Kurose has a long history of public service and has worked on congressional legislative policy in Washington, D.C., and on international economic development policy in the cities of Seattle and Tacoma.

Chris Marr  
– Board Member  
Chris Marr, of Spokane, was appointed in February 2011. Marr served as a State Senator for the 6th District in Spokane from 2006 to 2010. Marr has also served on the Board of Regents of Washington State University (WSU) and the Board of Governors of the WSU Foundation. He formerly chaired the Board of Empire Health Services and Inland Northwest Health Services, the Spokane Regional Chamber of Commerce, and the Washington State Transportation Commission. He has a 20-year history of civic involvement in public policy and state and local politics.

Rick Garza  
– Director  
Rick Garza has been with the Liquor Control Board since 1997. During Rick’s career with WSLCB he has also held the positions of Legislative and Tribal Liaison, Policy Director and Deputy Director. Prior to joining the Liquor Control Board, Rick served 13 years as a staff member for the Washington State Legislature, including five years with the Washington State Senate and eight years with the state House. His legislative assignments included Policy Analyst in the state Senate, House of Representatives Staff Director, and adviser to House and Senate leadership.
Vision
Improving public safety for Washington communities.

Mission
Promote public safety by consistent and fair administration of liquor and cannabis laws through education, voluntary compliance, responsible sales and preventing the misuse of alcohol, cannabis and tobacco.

Goals
Provide the highest level of public safety by continually assessing, analyzing, improving and enforcing laws, regulations and policies as well as ensuring they are easy to understand, effective and reflect today’s dynamic environment.

Educate and engage licensees, the public and other stakeholders in addressing issues related to alcohol, cannabis and tobacco.

Recruit, develop, retain and value a highly competent and diverse workforce capable of responding quickly and effectively to challenges in the regulatory and business environment.

Create a culture that fosters excellent customer service, open communication, transparency, accountability, data driven decisions, and business initiated process improvement including the use of integrated technology.

Values
Respect and courtesy
Professionalism and integrity
Open communication
Internal and external accountability
Measurable and meaningful results
Public trust and stakeholder involvement
Continuous improvement
Board
Three-member Board appointed by the Governor

Director
Appointed by the Board

Deputy Director

- Policy and Performance
- Contracts
- Support Services

Licensing and Regulation

- MAST*
- Retail
- Non-Retail
- EOU*
- Marijuana Licensing
- Customer Service
- Policy and Compliance

Communications

Enforcement and Education

- CHRI*
- Retail
- Tobacco Tax
- MIW*
- Marijuana
- FDA*
- Hearings

Human Resources

- Safety Program
- Claims
- Recruitment
- Training
- Payroll
- Labor Relations / Union

Information Technology

- Database Support / Developers
- Service Operations
- Business Process Support
- Infrastructure / Applications

Financial Services

- Budget
- Accounting
- Beer/Wine/Spirits
- Audit/Examiners
- Marijuana Tax
- Marijuana Examiners

Risk Management

- Research
- Public Records

*MAST: Mandatory Alcohol Server Training
*CHRI: Criminal History Records
*EOU: Education and Outreach Unit
*MIW: Manufacturers, Importers and Wholesalers
*FDA: Food and Drug Administration
Tobacco Inspectors
Enforcement and Education Division

The Enforcement and Education Division is responsible for enforcing state liquor, tobacco and marijuana laws, and regulations. Officers also provide education to licensees, communities and local law enforcement agencies.

When a business violates a law, officers consider the totality of the circumstances and are empowered to determine an appropriate course of action to correct non-compliance. Those courses include issuing administrative violation notices, warning notices, and/or criminal arrests and citations. Administrative violation notices can result in a fine, temporary license suspension, or both.

In cases of repeat violations, a license can be revoked by action of the Board. The Board may also impose an emergency suspension for significant public safety issues, resulting in a liquor license suspension of up to 180 days.

Non-Retail Enforcement

The Non-Retail Enforcement unit, also known as MIW, primarily focuses on the manufacturing, importing, wholesaling, and distribution of alcohol products. Officers have the same scope of authority as retail and marijuana enforcement, but focus heavily on educating licensees about the complexities of money’s worth, advertising, promotions, tastings, and special events.

Due to the complexity of non-retail laws and rules, officers conduct individual or small group briefings on liquor laws, and participate in industry specific education to stakeholder groups to ensure businesses have the information needed to be successful.
Enforcement Offices

<table>
<thead>
<tr>
<th>Region 1 – Southwest Washington</th>
<th>Regional Office: Tacoma</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,206 Licensees / 16 Enforcement Officers</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region 2 – King County</th>
<th>Regional Office: Federal Way</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,999 Licensees / 14 Enforcement Officers</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region 3 – Northwest Washington</th>
<th>Regional Office: Mount Vernon</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,325 Licensees / 12 Enforcement Officers</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region 4 – Central and Eastern Washington</th>
<th>Regional Office: Spokane</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,273 Licensees / 15 Enforcement Officers</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MIW Enforcement</th>
<th>Headquarters: Olympia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,319 Licensees / 5 Enforcement Officers</td>
<td></td>
</tr>
</tbody>
</table>

Tobacco Tax

Tobacco tax responsibility is assigned to all officers. The primary focus is to inspect cigarette and other tobacco product retailers, wholesalers and distributors, leading to the identification of contraband cigarettes and unpaid taxes on other tobacco products. Additionally, officers conduct investigations to halt illegal acquisition, shipment and possession of cigarettes and other tobacco products by persons and businesses not licensed to sell them.

The officers maintain state and federal partnerships, educate wholesalers, distributors and retail licensees on tobacco laws and rules. Two enforcement positions are dedicated as task force members with the Federal Bureau of Alcohol, Tobacco and Firearms.

Areas of Focus in FY 2014

Liquor Compliance Efforts

To ensure compliance and prevent the sale of spirits to persons under 21 years of age, officers continued to focus compliance checks at spirits retailers. Alcohol compliance checks were conducted at over 75 percent of spirit retailers. Officers conducted premises checks and formal classes at many locations to support spirit retailer licensees with education to ensure compliance. This program has continued to make gains in the compliance rate of spirit retailers, with a state average compliance rate of 93 percent among spirits retailers.

Enforcement also utilized Place of Last Drink (POLD) data from DUI reports to focus efforts on reducing incidents of over service and reducing impaired driving activity from licensed locations. Officers conducted undercover checks and general premises checks to address this priority. The top 20 reported businesses with the highest DUI referrals in FY 14 had an average of 27 incidents which was a 16 percent decrease from the FY 13 averages.

Top Three Public Safety Violation Types in FY 2014

Violations can result in Administrative Violation Notices (AVNs) or warnings. There were 829 violations in the top three categories, with 562 AVNs issued resulting in fines or liquor license suspensions.

Sales or service to minors
- 488 violations
- 457 AVNs issued
- 31 warnings issued

Sales to apparently intoxicated persons
- 232 violations
- 75 AVNs issued
- 157 warnings issued

Disorderly conduct
- 109 violations
- 30 AVNs issued
- 79 warnings issued
Use of Analytical Tools
This year marked the introduction of geographical spatial analysis of license location and enforcement actions. Officers have access to geographical data and analysis and use this data in a targeted approach towards enforcement actions and deployment. Officers and command staff utilize data such as compliance check rates, compliant types and locations, and place of last drink locations from DUI stops to focus limited resources on higher risk areas and locations statewide. The new geographical spatial analysis enhances resource deployment by providing visual mapping and a centralized location for data reference.

Marijuana Enforcement
With the passage of Initiative 502, legalizing recreational marijuana, an initial enforcement team of 16 enforcement officers with support staff was established to regulate this new industry. The unit’s initial focus has been the inspection of license applicants, education of new producers and processor, tractability system compliance, and ensuring licensed operations are conducted by the true party of interest.

Officers conducted numerous final inspections and educational visits to help the new businesses in the marijuana industry understand and comply with Washington State laws and regulations. The unit conducted 95 premises checks in the first three months of licensed marijuana producers and processors operations.

Food and Drug Administration (FDA) Tobacco Inspections
The FDA re-awarded the WSLCB a tobacco inspection contract that had been originally adopted in 2009. Under federal authority, the WSLCB continued to conduct tobacco inspections aimed at federal regulation of the manufacture, distribution and marketing of tobacco products to protect public health.

The FDA Tobacco Inspection Program is comprised of ten staff that maintains FDA-commission credentials and conduct tobacco inspections on tobacco retailers registered in Washington State.

From September 29, 2013 to September 29, 2014, FDA Inspectors conducted 11,932 inspections at tobacco retail locations; 50 percent were undercover tobacco buys and 50 percent were advertising and labeling inspections.

Visual display of geographical data now available to WSLCB Enforcement officers
Licensing and Regulation Division

The Licensing and Regulation Division issues liquor and cannabis licenses and permits for 21,895 qualified businesses. Division employees:

- Determine if new and current businesses are qualified to hold a liquor or marijuana license;
- Regulate the production, importation, distribution and sale of spirits, beer and wine products;
- Provide oversight for the Mandatory Alcohol Server Training (MAST) program for workers who serve alcohol. In FY 2014, 38,016 MAST permits were issued to liquor servers;
- Processed special occasion license applications for 5,464 nonprofit organization events;
- Processed 38,519 Banquet Permits in FY 2014.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquor Licensees (total)</td>
<td>15,444</td>
<td>15,838</td>
<td>16,501</td>
<td>16,872</td>
<td>19,980</td>
<td>21,019</td>
<td>21,783</td>
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<tr>
<td>Retail Licensees</td>
<td>12,925</td>
<td>13,040</td>
<td>13,450</td>
<td>13,628</td>
<td>15,064</td>
<td>15,655</td>
<td>16,091</td>
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<tr>
<td>Grocery Stores</td>
<td>5,026</td>
<td>5,041</td>
<td>5,275</td>
<td>5,397</td>
<td>5,424</td>
<td>5,534</td>
<td>5,540</td>
</tr>
<tr>
<td>Nightclubs, Spirits/Beer/Wine Restaurants, Clubs, Sports/Entertainment Facilities</td>
<td>4,683</td>
<td>4,676</td>
<td>4,745</td>
<td>4,888</td>
<td>4,953</td>
<td>5,029</td>
<td>5,157</td>
</tr>
<tr>
<td>Beer &amp; Wine Restaurants</td>
<td>2,764</td>
<td>2,726</td>
<td>2,825</td>
<td>2,676</td>
<td>2,891</td>
<td>2,938</td>
<td>3,078</td>
</tr>
<tr>
<td>Taverns</td>
<td>243</td>
<td>225</td>
<td>219</td>
<td>214</td>
<td>223</td>
<td>209</td>
<td>215</td>
</tr>
<tr>
<td>Bed &amp; Breakfast, Serve Employees &amp; Guests, Non-Profit Arts Organization, Hotels, Motels</td>
<td>209</td>
<td>372</td>
<td>386</td>
<td>453</td>
<td>517</td>
<td>530</td>
<td>679</td>
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<tr>
<td>Spirits Off Premise</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>1,056</td>
<td>1,415</td>
<td>1,422</td>
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<td>Non-Retail Licensees</td>
<td>2,519</td>
<td>2,798</td>
<td>3,051</td>
<td>3,244</td>
<td>4,916</td>
<td>5,364</td>
<td>5,692</td>
</tr>
<tr>
<td>Wineries</td>
<td>562</td>
<td>620</td>
<td>686</td>
<td>739</td>
<td>751</td>
<td>794</td>
<td>827</td>
</tr>
<tr>
<td>Breweries</td>
<td>102</td>
<td>115</td>
<td>127</td>
<td>151</td>
<td>168</td>
<td>223</td>
<td>262</td>
</tr>
<tr>
<td>Distributors and Importers</td>
<td>183</td>
<td>205</td>
<td>224</td>
<td>219</td>
<td>429</td>
<td>504</td>
<td>492</td>
</tr>
<tr>
<td>Certificate of Approval, Out-of-State Breweries and Wineries</td>
<td>1,230</td>
<td>1,305</td>
<td>1,388</td>
<td>1,422</td>
<td>2,776</td>
<td>2,990</td>
<td>3,179</td>
</tr>
<tr>
<td>Bonded Wine Warehouses, Distilleries, Craft Distilleries, Liquor Manufacturers, Wine Growers, Interstate Common Carrier, Ships Chandler, Wine Shippers</td>
<td>442</td>
<td>553</td>
<td>626</td>
<td>713</td>
<td>792</td>
<td>853</td>
<td>932</td>
</tr>
<tr>
<td>Applications Processed</td>
<td>4,907</td>
<td>5,054</td>
<td>4,513</td>
<td>4,266</td>
<td>6,721</td>
<td>5,795</td>
<td>4,455</td>
</tr>
</tbody>
</table>
LEAN - Continuous Improvement Projects
Licensing implemented several key LEAN initiatives to streamline processes and improve customer satisfaction.

State Auditor Office
In cooperation with the State Auditor’s Office, Licensing implemented two process improvements:

1. Permits Tracking – Developed and implemented a tracking tool during the summer of 2014. This tool provides Licensing with timely data to measure our contribution to Results Washington Goal 5: Efficient, Effective and Accountable Government.

<table>
<thead>
<tr>
<th>Permit Type</th>
<th># Events/Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special Occasion Permits</td>
<td>5,353</td>
</tr>
<tr>
<td>Alcohol Permits</td>
<td>568</td>
</tr>
<tr>
<td>Raffle Permits</td>
<td>268</td>
</tr>
<tr>
<td>Banquet Permits</td>
<td>38,159</td>
</tr>
</tbody>
</table>

2. Web Based Permit Information - Licensing improved/simplified permit applications and created samples of completed applications to improve the customer experience and reduce rework. Development of web-based information for all liquor permits is in the final stage of construction, with an expected launch winter 2015.

Non-Retail Labeling Activity
As a result of liquor privatization June 1, 2012 the scope of the Non-Retail unit’s responsibilities expanded to include the tracking and approval of the packaging and labeling of spirits products. To meet the requirements of the law the unit posts all spirits labels to an online database that is available to the public.

<table>
<thead>
<tr>
<th>Product Type</th>
<th>FY 12 (Apr.-Jun.)</th>
<th>FY 13</th>
<th>FY 14</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Products</td>
<td>132</td>
<td>2,212</td>
<td>1,610</td>
<td>3,954</td>
</tr>
<tr>
<td>Domestic Products</td>
<td>96</td>
<td>1,576</td>
<td>1,260</td>
<td>2,932</td>
</tr>
<tr>
<td>Total</td>
<td>228</td>
<td>3,788</td>
<td>2,870</td>
<td>6,886</td>
</tr>
</tbody>
</table>

Impact of Initiative 502
Marijuana Licensing Unit
The Marijuana Licensing Unit (MLU) was formed to carry out the licensing of producer, processor and retailer recreational marijuana applicants as required by Initiative-502. Its role is to facilitate a complete and thorough investigation upon application including: true parties of interest, financiers, criminal history, etc.

In July of 2013 the first Marijuana Licensing team was formed, hiring 14 investigators out of a pool of 200 applicants. The team has diverse prior experience in various fields related to investigation and legal compliance.
experience including: attorneys, probation officers, social workers, and liquor license investigators. Licensing specialists underwent four weeks of intensive training on Washington State marijuana rules and WAC’s, financial investment, criminal history, security and operational plans as well as the licensing application.

**Marijuana Workshops**

Prior to accepting applications the MLU provided public workshops across the state on I-502 rules and the application process. Seven workshops were held across the state for people interested in producing, processing or retailing marijuana. The workshop lasted approximately two hours with questions and answers at the end of each session. Each session was well attended with over 1,200 interested parties signed up.

**Application Window**

On November 19, 2013, the LCB began processing applications for marijuana businesses. The 30 day application window for accepting marijuana licensing applications was open ran from November to December 2013.

Over 7,000 applications were received:

- Producer - 2,822
- Processor - 2015
- Retailer - 2,206

**Cloud Computing**

To streamline the application process the LCB contracted with private vendors and utilized cloud based software to increase efficiency. Staff use secure cloud based software services to digitally manage the applicants business transactions. Investigators and applicants also utilize additional cloud software solutions to simplify the process of completing and signing complex forms. These resources reduce the time neccessary to complete the investigation process.

**Issued Licenses**

The first producer and processer licenses were issued on March 5, 2014. This fiscal year, 279 producer/processor licenses have been issued, representing 32 of 39 counties.

<table>
<thead>
<tr>
<th>License Type</th>
<th>Applications Processed</th>
<th>Applications on Hold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producer Tier 1</td>
<td>57</td>
<td>110</td>
</tr>
<tr>
<td>Producer Tier 2</td>
<td>21</td>
<td>107</td>
</tr>
<tr>
<td>Producer Tier 3</td>
<td>18</td>
<td>90</td>
</tr>
<tr>
<td>Processor</td>
<td>183</td>
<td>992</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>279</strong></td>
<td><strong>1299</strong></td>
</tr>
</tbody>
</table>

**Marijuana Licensing Investigators tour a marijuana production facility**
Retail Lottery
Due to the high volume of retail applications (2,164) and the limited number of retail licenses available (334), the board held double blind lotteries to assist in determining which applications would be processed in each area. To determine eligibility for the lottery all of the retail applications were pre-screened resulting in the disqualification of 996 applications.

A total of 75 lotteries were held in jurisdictions across the state. All applicants were notified of their rank order in the lottery. If an application was disqualified for any reason or withdrawn by the applicant, the next application on the lottery list would take its place. Those who placed high enough in the lottery to move forward in the licensing process were not guaranteed to receive a license, they must still undergo a rigorous investigation process and pass a final inspection prior to receiving a license.

In May 2014 the MLU began processing retail marijuana applications.

Education and Outreach Unit
The Licensing division’s field presence, Education and Outreach Units’ (EOU) primary focus is to promote voluntary compliance, and support the responsible sale of alcohol across the state.

On-Site Visits
The Field Licensing Team (FLT) provided over 1170 on-site visits to liquor license applicants that need field measurements, floor plan inspections and/or general licensing assistance.

Responsible Vendor Program Expansion
The Responsible Vendor Program (RVP), which rewards retail licensees who take steps to prevent the sale of spirits to minors and apparently intoxicated persons, grew to 930 members in 2014. RVP has also expanded to include beer and wine grocery stores while making improvements to the underlying program.

Partnered Education Events
The EOU partnered with Enforcement, local governments and non-profit agencies to hold 36 education events in FY14. Attended by over 1200 individuals, the events educate licensees about managing the distribution and sale of spirits, beer and wine.

Website Resources
In partnership with Enforcement and Customer Service, the EOU established a licensee informational support site that provides graphical FAQs for licensees.
Alcohol and Marijuana Education

The Alcohol and Marijuana Education program supports the public safety mission of the agency by addressing the prevention of underage drinking and marijuana use, misuse of alcohol and marijuana by adults, and related harms. The agency, together with other agencies and statewide organizations, educates and engages communities and individuals to address these issues and promote healthy and safe communities for all of Washington’s citizens.

As the WSLCB implemented Initiative 502, the need increased for education efforts and activities to address concerns about the underage use and the misuse of marijuana. The Public Health Education Liaison continued to participate in the development of rules, produce educational materials, give informational presentations to groups in and outside of Washington State, and participate on interagency workgroups.

Educating and Engaging

Information and resources for marijuana and alcohol education/prevention are provided through in-person presentations, webinars, social and traditional media, and responses to individual requests.

FY 2014:

- 23 presentations were provided across the state and at regional and national conferences
- With partner agencies, over 50,000 “Marijuana: Know the Facts” cards developed by the WSLCB were distributed to prevention coalitions and schools throughout Washington
- “Marijuana: Know the Facts cards were translated into eight additional languages through a grant from the WA Traffic Safety Commission
- Over 240 requests for information were answered
- Developed “Marijuana Use in Washington State: An Adult Consumer’s Guide” for distribution in marijuana retail stores

Working Together, Maximizing Resources

Addressing and preventing underage drinking and marijuana use requires the combined efforts of communities, schools, families, and individuals. Multiple government and statewide organizations work together to provide resources and support to these efforts.

The Washington State Coalition to Reduce Underage Drinking (RUaD) engages representatives from behavioral health, treatment, public health, law enforcement, education, prevention-based coalitions, and others to coordinate efforts, avoid duplication, and maximize resources. During FY 2014, the work of the coalition expanded to include prevention of underage marijuana use. The chair of the Liquor Control Board serves as co-chair of RUaD.

Other collaborative efforts include participation in the implementation of the 2014 Healthy Youth Survey, the Strategic Prevention Enhancement Consortium, the WA Impaired Driving Advisory Council, the I-502 Interagency Planning Group, and the WA Prevention Research Sub-committee.

Results included the development of a Marijuana Education Toolkit for communities, maintenance of the StartTalkingNow.org website, the development of marijuana education radio ads, and a successful 2013 WA State Prevention Summit.

2014 Washington State Coalition to Reduce Underage Drinking Leadership
Agency Performance/Lean Efforts

Agency Performance

Results Washington
During FY 2014, Governor Jay Inslee announced the launch of Results Washington which combines the best of the state’s previous performance accountability efforts (i.e. Government Management Accountability and Performance; Priorities of Government, etc.) with an expanded Lean management initiative involving all state agencies.

This is the primary method used by the Governor to implement his vision, mission and goals for building a working Washington. The key goal areas include:

- World Class Education
- Prosperous Economy
- Sustainable Energy and a Clean Environment
- Healthy and Safe Communities
- Efficient, Effective and Accountable Government

Goal Council Teams
Goal Council teams are made up of state agency directors and have drafted over 200 measures/indicators that are shared with stakeholders, employee groups and the general public for further input. Director Rick Garza represents the WSLCB on the Goal 5 team covering efficient, effective, and accountable government. As part of this goal all state agencies are expected to report on the areas of customer satisfaction, cost-effective government (including Lean process improvement) and data transparency.

In June 2014, during a Results session with the Governor and senior staff, the WSLCB featured its Public Records unit’s Lean-related efforts on improving response times when handling public records requests. The agency has also participated in reports on timeliness in completing liquor license applications, employee survey results and has contributed data on enterprise metrics such as energy use and fuel consumption.

The WSLCB also has a presence on the Goal Four team addressing Healthy and Safe Communities. This team works on topic areas such as preventing youth access to alcohol, marijuana and tobacco and traffic fatalities due to alcohol and drugs.

LCB Results
The agency’s long-standing performance program has been re-established as LCB Results. Monthly sessions are held involving senior leaders and program staff to address topics such as licensing and permit trends and processing, enforcement and education, licensee outreach, human resources, IT services, risk management, budget and a variety of administrative support functions. Leaders and key staff routinely discuss data trends, program targets and results, identify and solve problems and track significant follow up activities.

Division-level results sessions are also regularly held to address these and other topics giving key program and unit staff the opportunity to participate in the continuous review of program results.

Lean Efforts

Lean@LCB
The WSLCB’s Lean program works to promote and support a culture that embraces employee empowerment, customer driven, value-added work, scientific problem solving and process improvement, based on Lean principles and mindsets.

In FY 2014 the agency continued its Lean efforts with the introduction of the Lean@LCB program. The program serves as a framework for both the
proposals of process improvement ideas and to shepherd those proposals through completion.

Lean@LCB was created to foster an agency-wide mindset and culture shift which includes leadership training, employee idea submission, proposal scoping criteria, standardization of metrics, change management, status reporting and ensuring alignment with the agency’s strategic goals and customer values.

In alignment with the Governor’s Lean Initiative and Results Washington, the agency has set goals for training, activities and results. In FY 2014, the agency developed an internal curriculum for Lean and promoting related programs and seminars offered by Results Washington, 98 percent of leadership team and 65 percent of staff received some level of hands-on Lean training. Staff and leadership completed 27 unique Lean efforts and activities that resulted in a wide variety of improvements and waste reduction.

Key Lean Results

Public Records Request Process Improvement
The goal of this effort was to improve the agency’s compliance to the Public Records Act by:

- Decreasing the average time needed to respond to requests
- Increasing the availability of the information requested by leveraging technology
- Reduce the litigation risk of the agency

To meet these goals the Public Records section began posting the most frequently requested information to the agency website. As a result:

- Request response time was cut by 44 percent
- Traffic to online resources increased by nearly 2000 percent
- No response discrepancies for the remainder of the fiscal year, which resulted in a risk rating of zero for that period

This effort was considered a significant success and was recognized at the Governor’s Goal Five council meeting as an example of state government working at its best.

Other Project Highlights
Highlights from other FY14 Lean activities include:

Manufacturers, Importers and Wholesalers Licensing Unit’s “Label Tracking” Project
Removed unnecessary handoffs/steps which reduced processing time by almost 50 percent. Tasked with tracking all the labels of spirits products available in the state, the unit developed a portal which allows staff and customers to view the labels electronically online.

“ALCO Meters Online Training” Project
Reduced the training request processing time for enforcement officers. By streamlining the process and removing permission request bottlenecks the project was able to reduce the turnaround time from 20 days to 1 hour.
Lean Efforts

“Business License System Data Transfer” Project
Increased the accuracy of the agency’s mailing addresses database by 80 percent. Database now includes email addresses which facilitates correspondence and allows LCB staff to provide timely and accurate status updates customers.

Lean Transformation Model

The Results Washington Lean transformation model has been adopted by the LCB. It demonstrates the incorporation of Lean thinking/practices into all aspects of organizational design.

As part of the partnership DES has provided an on-site Lean Consultant who works in collaboration with the WSLCB’s existing Lean management. The partnership runs through 2015.

Department of Enterprise Services Partnership
In April 2014 the WSLCB entered into a pilot partnership with the Department of Enterprise Services (DES) to further enhance the LCB’s agency culture, Lean thinking and daily practices. The focus of this partnership is improving on how business is conducted, how to engage employees, and provide better service to our customers/public.

This is a three phased approach that involves further emphasis on:

• Leadership development
• Mapping core operational processes
• Establishing daily team huddles
• Use of visual management

Employees from the Department of Enterprise Services (DES) participate in an interactive discussion about their experience with DES’ Lean implementation.
## Income and Expenses FY 2014

### Income

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spirit Fees</td>
<td>$139.60 million</td>
</tr>
<tr>
<td>Beer Tax</td>
<td>$29.91 million</td>
</tr>
<tr>
<td>Wine Tax</td>
<td>$24.10 million</td>
</tr>
<tr>
<td>Liquor License Fees</td>
<td>$14.51 million</td>
</tr>
<tr>
<td>Other Liquor Income**</td>
<td>$19.20 million</td>
</tr>
</tbody>
</table>

| Total Liquor Related Income               | $227.32 million |

**Includes Distribution Center sale proceeds and other income

### Marijuana Income

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marijuana License Fees</td>
<td>$1.78 million</td>
</tr>
</tbody>
</table>

| Total Marijuana Related Income            | $1.78 million    |

### Total Tobacco Violations

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Tobacco Violations</td>
<td>$0.043 million</td>
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</tbody>
</table>

### Total Income

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Income</td>
<td>$229.14 million</td>
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</table>

### Expenses/Distributions

#### Operating Expenses

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licensing</td>
<td>$5.31 million</td>
</tr>
<tr>
<td>Enforcement</td>
<td>$8.30 million</td>
</tr>
<tr>
<td>General</td>
<td>$15.14 million</td>
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</tbody>
</table>

| Total Operating Expenses                  | $28.75 million |

#### Distributions

<table>
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<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returned to the State/Local Government</td>
<td>$201.72 million</td>
</tr>
</tbody>
</table>

| Total Expenses/Distributions              | $230.47 million |

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**Washington State Liquor Control Board**

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Revenue Distribution

Revenue Distribution Chart

<table>
<thead>
<tr>
<th>Fund</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$141.9 Million</td>
<td>70.3%</td>
</tr>
<tr>
<td>Cities / Counties</td>
<td>$49.5 Million</td>
<td>24.5%</td>
</tr>
<tr>
<td>Education / Prevention</td>
<td>$8.7 Million</td>
<td>4.3%</td>
</tr>
<tr>
<td>Research</td>
<td>$1.6 Million</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

$201.7 Million Returned in FY 2014

Washington State Liquor Control Board Headquarters located in Olympia Washington.
Revenue sent to the state General Fund is used to provide much-needed additional resources for education and other critical state services.

Revenue sent to cities, counties and border areas provides increased flexibility for local government to meet community needs. Revenues are redistributed by statute to communities according to their population.

Each local government entity is required to use a portion of the money for alcohol prevention and education. Money is also used to support local law enforcement and other programs.

Education and prevention funds pay for the Department of Social and Health Services alcohol and substance abuse programs administered by the Division of Behavioral Health and Recovery. Among these programs are community-based initiatives to reduce underage drinking.

Revenue from beer and wine taxes supports research on alcohol abuse and addiction at the University of Washington (UW) and Washington State University (WSU), and on wine and grape development at WSU.

Money also is assigned to support the Washington Wine Commission, which is organized to promote and develop the state's wine industry. In FY 2013, 794 wineries were licensed in Washington State.

<table>
<thead>
<tr>
<th>General Fund</th>
<th>70.3%</th>
<th>$141.9 Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cities, Counties</td>
<td>24.5%</td>
<td>$49.5 Million</td>
</tr>
<tr>
<td>Education, Prevention</td>
<td>4.3%</td>
<td>$8.7 Million</td>
</tr>
<tr>
<td>Research</td>
<td>0.8%</td>
<td>$1.7 Million</td>
</tr>
</tbody>
</table>

Research Distributions In Detail - $1.66 Million

<table>
<thead>
<tr>
<th>Organization</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washington Wine Commission</td>
<td>$257,548</td>
</tr>
<tr>
<td>UW Alcohol and Drug Abuse Institute</td>
<td>$560,036</td>
</tr>
<tr>
<td>WSU Alcohol and Drug Abuse Research</td>
<td>$373,357</td>
</tr>
<tr>
<td>WSU Wine and Grape Research</td>
<td>$278,595</td>
</tr>
<tr>
<td>Washington State Patrol State Toxicology Program</td>
<td>$150,000</td>
</tr>
<tr>
<td>Youth Tobacco Prevention</td>
<td>$39,020</td>
</tr>
</tbody>
</table>
2014 Enacted Liquor and Marijuana-Related Legislation

**SB 5310 – Senior Center License**
Creates a new license authorizing a nonprofit organization whose primary service is providing recreational and social activities for senior citizens to sell individual servings of spirits, beer, and wine to clients. The alcohol must be consumed on the premises.

**ESSB 5045 – Day Spa Permit**
Creates a new permit for day spas providing at least three of the following types of beauty services - hair care, nail care, skin care, and body care (e.g. massage, wrap, waxing) allowing them to offer a complimentary glass of wine or beer to a client 21 years of age or older whose service lasts longer than one hour.

**SHB 1742 – Sale of Wine Growlers**
Licensed wineries may have up to two additional locations for tasting and retail sale of their own products. This bill expands the privileges for additional locations allowing the licensee to sell wine of their own production in approved sanitary containers for customers to consume off the premises of the licensee.

**SSB 6442 – Sale of Cider Growlers**
Expands the privilege of selling growlers to include beer and cider for consumption off the licensee’s premises. The licensee must comply with all federal laws and regulations related to sanitary containers.

**ESHB 2155 – Preventing Theft from Spirits Retailer Licensed Locations**
Tasks local law enforcement with establishing a pattern of theft that results in minors gaining possession and reporting those findings to the WSLCB. The bill grants authority to the LCB to impose a set of progressively tougher remedial requirements to prevent theft. The WSLCB may impose remedial requirements or sanctions, following specified procedures, to reduce theft rates.

**SSB 6226 – All Distillers including Craft Distillers**
Allows craft distillers the ability to:
- Sell up to three liters per day of spirits of their own production to a consumer for off-premise consumption.
- Produce up to 150,000 gallons.
- Provide and charge a fee for spirits samples of 0.5 ounces or less, subject to a daily maximum of two ounces per person per day, for on-premises consumption.
- Contract with, and sell spirits to, other licensed distillers and manufacturers.

**ESHB 2304 – Marijuana Processing and Retail License Clarifications**
- Processors may sell marijuana concentrates, in addition to useable marijuana and marijuana-infused products to other processors and retailers.
- Marijuana retailers may sell concentrates to consumers
- Exempts account information associated with marijuana producer, processor, and retailer licenses from the Public Records Act.
- Define the amount of marijuana concentrate any person 21 years of age or older is allowed to purchase at retail.

**ESHB 2680 – Liquor Caterer’s License**
Authorizes a caterer to sell individual servings of spirits, beer, and wine to clients attending a catered event. The location of an event must be owned, leased, or operated by the caterer or the sponsor of the event.

**ESSB 6517 - Protecting Agency Employees Personal Information**
Modifies the Public Records Act, exempting driver’s license numbers of WSLCB employees as records the agency must provide.

###
Washington State Liquor Control Board

Mission
Promote public safety by consistent and fair administration of liquor and cannabis laws through education, voluntary compliance, responsible sales and preventing the misuse of alcohol, cannabis and tobacco.

www.lcb.wa.gov