



Washington State
Liquor and Cannabis Board

Annual Report

Fiscal Year 2015



Introduction

Message from the Board	2
Board/Director Biographies	3
Vision, Mission, Goals and Values	4
Organizational Structure	5

Enforcement and Education

Enforcement and Education Division	6
Areas of Focus	8-9

Licensing and Regulation

Licensing and Regulation Division	10
Marijuana Licensing	11
Responsible Vendor Program	12

Public Health Awareness

Alcohol and Marijuana Education	13
---------------------------------	----

Agency Performance

Agency Performance	14
Lean Efforts	15

Financial Details

Financial Statement	16
Revenue Distribution	17-18
Legislative Session (2015)	19-20



New signage reflecting the agency's name change. After 81 years the Liquor Control Board is now the Liquor and Cannabis Board.

Contact Information

General Information	360-664-1600
Board Office	360-664-1717
Director's Office	360-664-1730
Enforcement and Education	360-664-1731
Licensing and Regulation	360-664-1718
Human Resources	360-664-1785
Information Technology	360-664-1744
Finance	360-664-1766



Washington State Liquor and Cannabis Board

3000 Pacific Ave. S.E.
Olympia, WA 98501
(360) 664-1600 • lcb.wa.gov

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

Message from the Board

Dear Citizens of Washington,

The “Pursuit of Excellence” has been the year’s theme to describe the groundbreaking work of the employees of the Liquor and Cannabis Board (LCB). Throughout this report you will find details about the agency’s accomplishments and operations while carrying out its mission throughout Fiscal Year 2015 (July 1, 2014 – June 30, 2015).

Highlights of FY 2015

New Board Leadership

Two new board members were appointed by Governor Jay Inslee this fiscal year. Jane Rushford was appointed to a six year term as Board Chair in January and former Kitsap County Prosecutor Russ Hauge joined Jane and Board member Ruthann Kurose in February. Member Hauge was appointed for two years to fulfill the expiring term of former member Chris Marr

Implementing Legal Marijuana

This fiscal year marks the first legal retail marijuana stores to open in Washington State history. While the media spotlight has been on the creation of a new marijuana retail system and the revenue it’s creating for the state, the agency work has also focused on preventing youth access, keeping the criminal element out of the system and preventing the diversion of marijuana out of state. By the end of the fiscal year, recreational marijuana sales exceeded original revenue estimates by generating almost \$65 million in new revenue.

Additionally, the Governor signed Senate Bill 5052, which aligns the medical marijuana market with the state-regulated recreational market. The bill requires that all medicinal marijuana dispensary sales be under the same regulatory framework as recreational marijuana retail stores by July 2016.

A Culture of Leadership

To successfully support agency staff, implementation of a Lean Culture continues to be of great importance within the LCB. Fostering a culture of strategic leadership and using employee ideas to improve processes and solve problems has resulted in improved processes and efficiency. Looking ahead, the agency has begun the process to replace the older legacy enforcement, licensing, imaging and stand-alone technology systems. We believe the modernization of our technology along with utilizing Lean principles, will allow us to achieve results that are sustainable for years to come and better serve our customers. You can read about more agency goals for the next two years in the [2015-17 Strategic Plan](#).

The Board and its employees are proud of the public safety contribution we make to the citizens of Washington. For more information regarding the LCB and current issues, please visit our website at [lcb.wa.gov](#).

Sincerely,



Jane Rushford
Board Chair



Ruthann Kurose
Board Member



Russ Hauge
Board Member

Board/Director Biographies

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.

Jane Rushford

– Board Chair

Jane Rushford, of Olympia, was appointed in January 2015. Prior to her appointment, she served for over 30 years in state government, retiring as the Deputy Director of the Department of Enterprise Services (DES) in 2014. In addition to her time at DES she served in several executive posts at the departments of General Administration and Natural Resources. Jane also held positions at the state House of Representatives, the former Department of Personnel and the Washington State Library. Jane maintains a commitment to community, having served on The Evergreen State College Foundation Board of Governors, nominating committee for the Pacific Peaks Girl Scout Council and Girl Scouts of Western Washington in addition to other non-profit boards and programs.



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.



Russ Hauge

– Board Member

Russ Hauge, of Kitsap County, was appointed to the Board in February 2015. Prior to joining the Board he spent 33 years as a practicing lawyer. In his early career, he worked ten years in a small Port Orchard law firm representing individuals and businesses. He was first elected Kitsap County's Prosecuting Attorney in 1994 and held that position until Dec. 31, 2014. As Kitsap County's prosecutor, Russ was a member of the Washington Association of Prosecuting Attorneys (WAPA). He has served as WAPA's President, chair of its Legislative Committee, and as its representative on the State Sentencing Guidelines Commission, the Supreme Court's Minority and Justice Commission, the Sex Offender Policy Board, and the Washington Partnership Council on Juvenile Justice.



Rick Garza

– Director

Rick Garza has been with the Liquor and Cannabis 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 LCB, 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, Mission, Goals and Values

Vision

Safe communities for Washington State

Mission

Promote public safety and trust through fair administration and enforcement of liquor, tobacco and marijuana laws

Goals

Ensure the highest level of public safety by continually improving and enforcing laws, regulations and policies that reflect today's dynamic environment

Educate and engage licensees, the public and other stakeholders in addressing issues related to our mission

Maintain and value a highly-motivated, competent and diverse workforce

Build a culture that inspires and fosters excellence

Values

Respect and courtesy

Professionalism

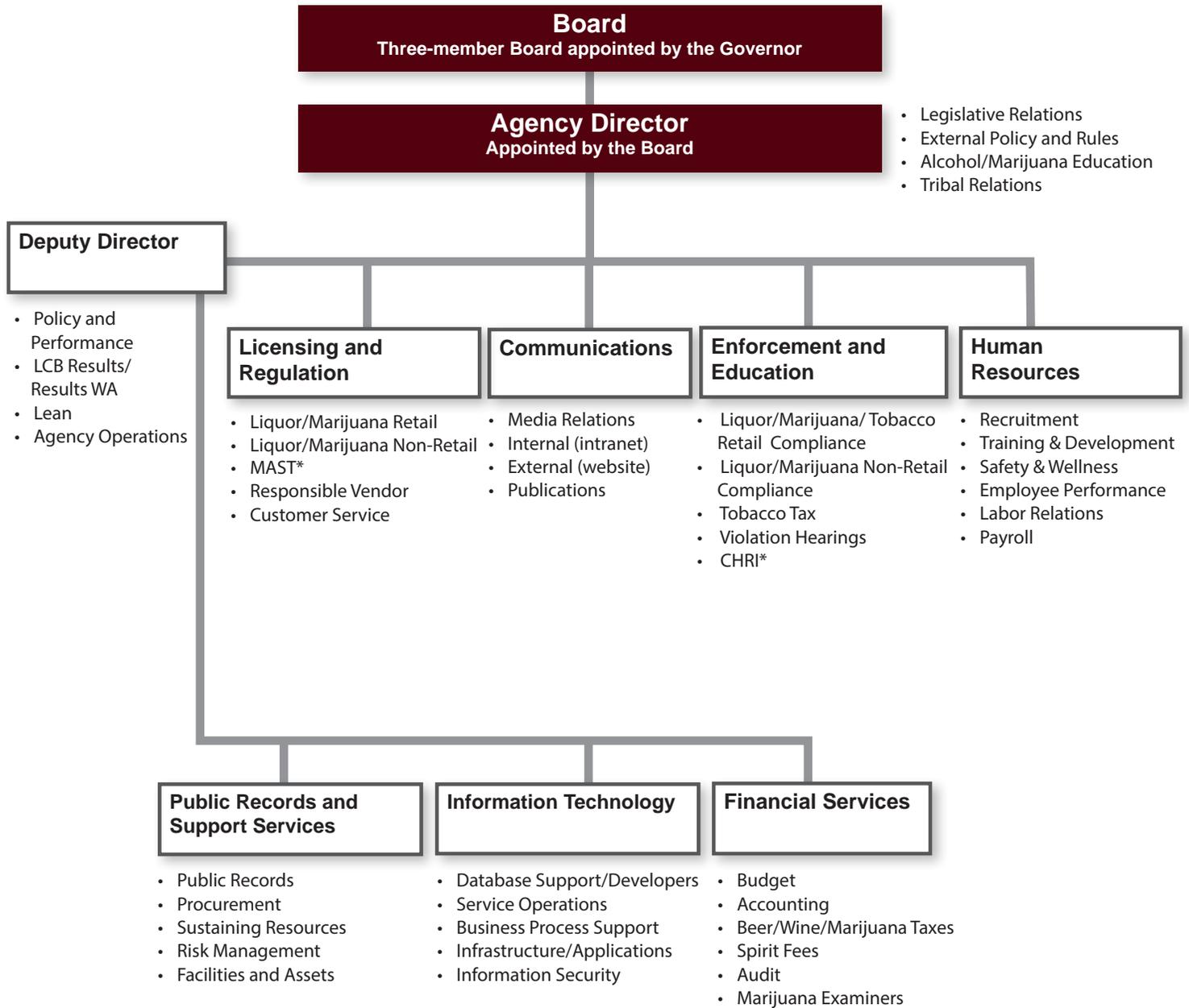
Open communication

Accountability and integrity

Continuous improvement and meaningful results

Customer focus

Organizational Structure



*MAST: Mandatory Alcohol Server Training
*CHRI: Criminal History Records Information

Enforcement and Education

Enforcement and Education Division

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

as compliance checks, undercover operations, premises checks, complaint investigations, and technical assistance visits to ensure licensees are complying with state liquor, tobacco and marijuana laws.

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 license suspension of up to 180 days.

Region 1 – Southwest Washington
Regional Office: Tacoma
4,139 Licensees / 20 Enforcement Officers
Region 2 – King County
Regional Office: Federal Way
4,053 Licensees / 20 Enforcement Officers
Region 3 – Northwest Washington
Regional Office: Mount Vernon
3,325 Licensees / 16 Enforcement Officers
Region 4 – Central and Eastern Washington
Regional Office: Spokane
3,224 Licensees / 20 Enforcement Officers

Non-Retail Enforcement
 The Non-Retail Enforcement unit primarily focuses on the manufacturing, importing, wholesaling and distribution of alcohol products (MIW). Officers have the same scope of authority as retail and marijuana enforcement, but focus on educating licensees on the complexities of money's worth, undue influence, contracts and agreements, advertising, promotions and special events. Due to the complexity of non-retail laws and

FY 2015 Staffing Chart	
134	Staff
1	Chief
1	Deputy Chief
1	Commander
4	Captains
19	Lieutenants
81	Officers
1	Hearing Officer
1	Management Analyst
1	Program Manager
2	Criminal Records Coordinator
9	Support Staff
3	Investigative Aides
1	FDA Supervisor
1	FDA Program Specialist
8	FDA Inspectors

Retail Enforcement

Retail Enforcement strives to protect and serve the public by ensuring the legal and responsible sale of alcohol, tobacco, and marijuana at retail businesses. Retail enforcement's primary focuses are on youth access, over service, conduct, and license integrity issues. Officers have arrest powers and carry out enforcement operations such



WSLCB Enforcement Chief Justin Nordhorn swearing in new officers.

Enforcement and Education



Enforcement Officer Sam Eikum conducting community outreach.

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.

As with retail enforcement, officers are empowered to determine an appropriate course of action to correct non-compliance, which can 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.

Non-Retail Enforcement

Statewide Unit

2,504 Licensees / 6 Enforcement Officers

Top Public Safety Violation Types in FY 2015

Violations can result in Administrative Violation Notices (AVNs) or warnings. There were 592 violations in the top three categories, with 533 AVNs issued resulting in fines or license suspensions.

Sales or service to minors (liquor)

- 458 violations
- 451 AVNs issued
- 7 warnings issued

Sales to apparently intoxicated persons

- 110 violations
- 58 AVNs issued
- 52 warnings issued

Sales or service to minors (marijuana)

- 25 violations
- 25 AVNs issued
- 00 warnings issued

FY 2015 Key Enforcement Activities

69,669 officer contacts
23,877 liquor premises checks
5,390 tobacco premises checks
1,721 complaints
4,607 licensee support visits
2,766 liquor compliance checks
1,706 tobacco compliance checks
1,494 enforcement actions
228 responsible sales training classes
1,117 online responsible sales classes
351 surveillance hours

Enforcement and Education

Marijuana Enforcement

With the legalization of marijuana, a non-retail enforcement team of 16 Liquor and Cannabis Board enforcement officers with support staff was established to regulate licensed producers and processors. The unit's focus is the inspection of license applicants, education of new producers and processors, traceability system compliance and ensuring licensed operations are conducted by the true party of interest.

Five additional enforcement officers were incorporated into general retail enforcement operations to monitor and conduct enforcement efforts in licensed marijuana retail locations. Officers conduct youth access compliance checks and monitor traceability and transportation compliance. Each licensed and operating retail location received at least one compliance check by the end of the fiscal year. Initial compliance checks found that 88 percent of marijuana retailers were in compliance regarding preventing youth access.

Marijuana Enforcement

Statewide Unit

600 Licensees / 16 Enforcement Officers



Captain Dan Rehfield displays the agency's new patch identifying him as an officer of the Washington State Liquor and Cannabis Board.

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, these officers continue to conduct investigations to halt illegal acquisition, shipments and possession of cigarettes and other tobacco products by persons and businesses not licensed to sell them.

The officers also maintain state and federal partnerships, including dedicated federal tobacco tax task force members; educate wholesalers, distributors and retail licensees on tobacco laws and rules.

Areas of Focus in FY 2015

Liquor Compliance Efforts

To ensure compliance and prevent sales of liquor to persons under 21 years of age, officers focus on compliance checks at all locations with complaints, areas with below average compliance rates and other general checks across the liquor industry. Officers conduct premises checks and formal classes at many locations to support liquor industry stakeholders with resources and education to ensure compliance. This program is a vital part in the agency's efforts to curb youth access to liquor



WSLCB enforcement officers inventory untaxed alcohol purchased in California and shipped to Washington by a licensee.

Enforcement and Education

and promote responsible sales and service.

The Enforcement and Education division also utilized Place of Last Drink data from DUI reports to focus efforts on reducing incidents of overservice 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 15 had an average of 23 incidents which was a 15 percent decrease from the FY 14 averages. This marks a two year trend of reduced incidents at these locations.

Use of Analytical Tools

Officers have access to geographical data and analysis and use this data in a targeted approach to enforcement actions and deployment. Officers and command staff utilize data such as compliance check rates, compliant types and locations, and POLD location data from DUI stops to focus limited resources on higher risk areas and locations statewide. Geographical spatial analysis will enhance resource deployment efforts by providing visual mapping and centralized location for data reference.

Food and Drug Administration (FDA) Tobacco Inspections

The FDA re-awarded the WSLCB a tobacco inspection contract that had been originally adopted in 2010. 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 10 staff who maintain FDA-commission credentials and conduct tobacco inspections at licensed tobacco retailers in Washington State.



WSLCB Enforcement Officers seize contraband cigarettes and proceeds as part of an interagency operation.

Licensing and Regulation

Licensing and Regulation Division

The Licensing and Regulation Division issues liquor and cannabis licenses and permits for 17,416 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 2015, 39,495 MAST permits were issued to liquor servers;
- Provided education about off premise alcohol sales via the Responsible Vendor Program (RVP) to 1,251 businesses;
- Processed special occasion license applications for 4,518 nonprofit organization events;
- Processed 38,519 banquet permits in FY 2014;
- Implemented changes in the licensing process in response to 15 legislative bills.

New Retail Liquor Licenses Issued	
Beer and Wine Restaurants	442
Beer and Wine Specialty Shops	79
Catering	20
Grocery Stores	363
Hotels	32
Night Clubs	24
Spirits, Beer and Wine Restaurants	584
Snack Bars	37
Spirit Retailers	81
Taverns	39
Theaters	15
Other	54

New Non-Retail Liquor Licenses Issued	
Farmer's Markets	17
Distributors	21
Distilleries	25
Microbreweries	53
Wine Shippers to Consumers	59
Wineries	111
Approval to sell out of state merchandise	210
Other	14

Over 16,000 Liquor Licensees in FY 2015

	Grocery, Beer/Wine and Specialty Shops	Spirits Retail Off/On Premises	Beer/Wine On Premises	Tavern	Hotel	Nightclub	Other	Total
FY 2012	5,424	5,932	2,891	223	138	77	379	15,064
FY 2013	5,534	6,344	2,938	209	139	100	391	15,655
FY 2014	5,540	6,407	3,078	215	152	109	527	16,091
FY 2015	5,603	6,421	3,306	233	190	127	564	16,444



WSLCB Licensing and Regulation Division

Licensing and Regulation

Liquor Licensing

The Liquor Licensing Unit maintained over 16,000 liquor licenses in FY 2015. Liquor licensing is broken into two sections: Retail and Non-Retail Licensing.

Retail licenses include establishments that sell alcohol for both on and off premises consumption including:

- Restaurants
- Entertainment facilities
- Hotels
- Grocery stores
- Spirits retailers
- Nightclubs

The Non-Retail Unit licenses:

- Manufacturers,
- Importers,
- Wholesalers
- Distributors of alcohol products

During fiscal year 2015, Retail Licensing issued 1,770 new licenses and Non-Retail Licensing issued 510 new licenses. Over 64 percent of liquor licenses are issued within 60 days of application. License investigators are currently implementing lean projects to reduce the number of days it takes to issue liquor licenses in 2016.

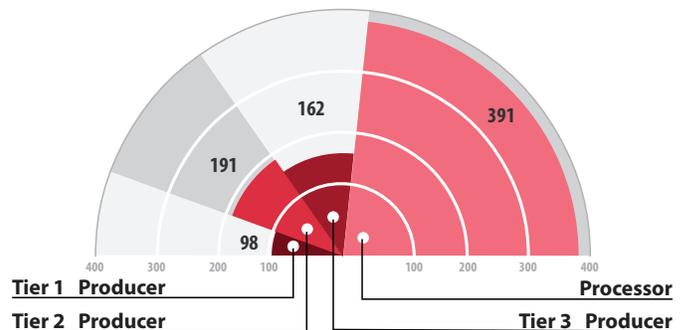
Marijuana Licensing

The WSLCB officially opened the marijuana market when it issued the first marijuana retail license in July 2014.

The Marijuana Unit licenses marijuana businesses in three categories:

- Producers: grow marijuana for sale to other marijuana businesses.
- Processors: process, package and label marijuana and marijuana infused products for sale to marijuana retailers.
- Retailers: sell marijuana, marijuana infused products and marijuana paraphernalia in retail outlets to adults twenty-one years of age and older.

Marijuana Producers and Processors Licensed



In FY15, the Marijuana Licensing Unit issued 1,017 licenses: 175 retail licenses and 842 producers and processors.

Medical Marijuana Bill

2015 legislation, Senate Bill 5052 established regulations for the formerly unregulated medical marijuana system and aligns it with the existing recreational system. As a result the WSLCB will invite more applicants to apply for retail marijuana licenses to accommodate the medical market. Existing retail licensees will be able to add a medical marijuana endorsement to their license to serve medical marijuana patients if they meet additional requirements outlined by the Department of Health.

Medical marijuana businesses that do not obtain a WSLCB license must cease operations July 1, 2016.

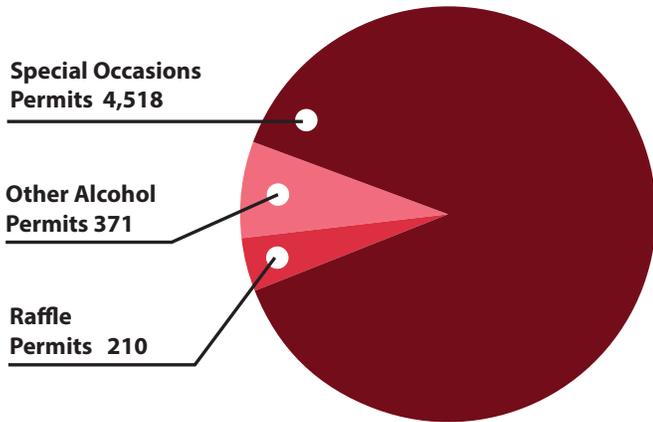
Customer Service

The Customer Service Unit responds to over 2,000 informational inquiry phone calls a month, issues permits for special occasions, raffles and other events where alcohol is served.

In FY 2015, the Customer Service Unit issued 5,099 permits and assisted the licensing units to process more than 17,000 marijuana and liquor licenses.

Licensing and Regulation

FY 2015 - 5,099 Alcohol Permits Issued



Special Occasion Licenses:

A special occasion license allows a nonprofit organization to sell liquor. Examples of events include fundraising dinners, gala events, auctions and wine tastings. The WSLCB asks non-profits to submit applications 45 days or more in advance of their event to issue permits, to reduce wait time and ensure the license is issued on time.

Less than 15 percent of applicants meet the 45-day time frame for applying. Fifty percent of applicants give the WSLCB less than 20 days to complete their applications. Customer Service completes 98 percent of Special Occasion Licenses before the event is scheduled to occur.

Education and Outreach

The Education and Outreach Unit provides Responsible Vendor Program (RVP) training to off-premises liquor vendors. RVP is a free, self-monitoring program designed to help retailers adopt and enforce best practices to ensure liquor is sold responsibly. This program has been especially successful in smaller retail beer and wine sellers.

Retailers participating in the RVP who meet all of the program requirements may be eligible to receive a reduced sanction from the WSLCB if they are cited for selling spirits to a minor. Retailers could also potentially increase their protection against civil actions in third party liability lawsuits involving minors or apparently intoxicated persons.

Participation in the RVP grew significantly because of a grant from the Washington Traffic Safety Commission. This year, with help from the grant, the WSLCB translated all online RVP training materials into Spanish and Korean.

FY 2015 Compliance Rates for Off Premises Beer and Wine Retailers



*Overall = Weighted Average

FY 2015 Compliance Rates for Off Premises Spirit Retailers



*Overall = Weighted Average



MAST/RVP Manager Kim Sauer discussing the Responsible Vendor Program with Governor Inslee at an event sponsored by the Korean American Grocers Association.

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 WSLCB works with other agencies and statewide organizations to coordinate efforts and align work toward the common goal of healthy and safe communities for all Washington's citizens.

The changing alcohol market and the opening of retail marijuana stores in FY 15 continue to drive education activities both within and outside the agency. The Public Health Education Liaison participates in the development of rules, produces educational materials, gives presentations, and works with prevention and public health professionals across the state.

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. This year we:

- Provided 18 presentations across the state and at regional and national conferences.
- Reached underserved populations through Spanish radio and television and the distribution of "Marijuana: Know the Facts" cards in 10 languages.
- Answered over 230 requests for information.
- Distributed 1000 copies of "Marijuana Use in Washington State: An Adult Consumer's Guide" to all new marijuana retail stores and made the copy available for continued use by retailers.

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 Healthy Youth Coalition (formerly the WA State Coalition to Reduce Underage Drinking, or 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. The Public Health Education Liaison of the Liquor Control Board is co-chair of the coalition and serves on the Communication and Policy workgroups. These workgroups are critical to the achieving the goals of the coalition.

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

A sampling of the results of these collaborative efforts included the implementation of a statewide media campaign (led by the WA State Department of Health) updating and expansion of the StartTalkingNow.org website, development of a powdered alcohol issue paper used by legislators during session, the addition of new tools for use by prevention coalitions and a successful 2014 Washington State Prevention Summit.



Public Health and Safety Liaison Mary Segawa discusses agency education and outreach efforts.

Agency Performance/Lean Efforts

Agency Performance

Results Washington

In 2013, Governor Jay Inslee announced the launch of Results Washington which combines the best of the state's previous performance accountability efforts 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

During FY 2015, Results Washington continued to evolve as the goal councils reviewed performance result progress for nearly 200 metrics.

Goal Council Teams

Goal Council teams are made up of state agency directors. Council results are reviewed monthly and shared with the general public. 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 areas such as timely delivery of services, customer satisfaction, cost-effective government (including Lean process improvement) and data transparency.

In June 2015, the WSLCB featured its customer survey results overseen by the Licensing Division. Over 90 percent of those surveyed reported that they were "very satisfied" with the services provided by licensing employees. The agency has also participated in reports on liquor license applications completion time, employee survey results and contributed data on enterprise metrics such as energy use and fuel consumption.

The WSLCB also formally joined the Goal 4 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.

During the past year, Director Garza presented on the agency's alcohol and marijuana education activities and collaboration with other state agencies on the healthy youth survey and prevention efforts.

LCB Results

LCB Results is the agency's long-standing performance program. 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 and discussion of program results. In February, 2015, WSLCB staff presented on the LCB Results program to state agency performance leaders and stewards who were interested in establishing or modifying similar programs.



Policy and Performance Manager Edmon Lee explaining performance metrics.

Lean Efforts

Lean@LCB

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

During FY 2015, the WSLCB continued its partnership with the Department of Enterprise Services (DES) to further enhance the agency's culture, Lean thinking and daily practices. The focus of this partnership is improving how business is conducted, engaging employees and providing better service to our customers. This approach involves further emphasis on training all staff to become better problem solvers, leadership development, coaching, mapping core operational processes and measures, establishing daily team huddles and the use of effective visual management.

DES provided an on-site Lean Consultant who worked in collaboration with the WSLCB's existing Lean program. The partnership ran through the end of FY 2015 and resulted in a significant shift in agency culture and further usage of Lean management. During that time over 25 unique process improvement activities were conducted that resulted in a wide variety of improvements and waste reduction.

Key Lean Results

Electronic Funds Transfer (EFT) Reimbursement

The default process for travel or work related expense reimbursement was to print out hard copy checks, a costly and time consuming manual process. After identifying a gap in employee awareness of the automated service, a new communication strategy was developed to inform and promote the use of EFT. This change resulted in a nearly 33 percent increase in participation in EFT. Increased EFT enrollment reduced the number of steps it takes for Accounts Payable to process an

employee reimbursement from 10 steps to two, and time savings were realized for the individual employee not having to physically deposit the check with their financial institution.

Licensee Briefings

Applicants are required to receive an informational briefing before being issued a license. Applicants select from one of thirteen online PowerPoint presentations, each approximately 80 slides long that took over an hour to review. When finished the applicant was required to print, sign and return a completion form to satisfy the licensing application requirement.

Customers reported several problems including that it wasn't clear which briefing they were required to view, frozen computer systems or that the completion form was not accessible to them. The improvement team examined what information added the most value from the 13 briefings and consolidated it into two YouTube videos, both under 10 minutes in length. This significantly improved the process:

- Decreased customer assistance calls from 16.5 to two calls per week; and
- Customer time savings of more than 70 percent by reducing the length of the briefing.

Informal Hearings Process

The informal hearing process (settlement conference) took an average of 73 days to complete. Information errors caused time delays of up to two weeks as documents were mailed between parties and the cost in postage averaged \$29.54 per hearing. The hearings clerk completed transactions manually with little support or automated tracking.

A team of employees revised the informal hearing instruction letters sent to licensees after identifying common errors that were made during the process. In addition a software solution was utilized with the process to remove mailing costs, reduce processing time and reduce errors. The improved informal hearings process resulted in a reduction in processing time for customers from 73 days to 57 days, a net reduction of 16 days or 22 percent.

Income and Expenses FY 2015

Income

Liquor Income and License Fees (includes penalties)

Spirit Fees	\$ 120.07 million
Beer Tax	30.76 million
Wine Tax	24.03 million
Liquor License Fees	14.63 million
Other Liquor Income	00.03 million

Total Liquor Related Income	\$ 189.52 million
------------------------------------	--------------------------

Marijuana Income and License Fees (includes penalties)

Marijuana Tax	64.63 million
Marijuana License Fees	1.06 million
Other Marijuana Income	0.02 million

Total Marijuana Related Income	\$ 65.71 million
---------------------------------------	-------------------------

Total Tobacco Related Income	\$ 0.050 million
-------------------------------------	-------------------------

Other General Fund Income	\$ 0.010 million
----------------------------------	-------------------------

Total Income	\$ 255.38 million
---------------------	--------------------------

Expenses/Distributions

Operating Expenses

Licensing	\$ 5.51 million
Enforcement	10.50 million
General	17.70 million

Total Operating Expenses	\$ 33.71 million
---------------------------------	-------------------------

Distributions

Returned to the State/Local Government	\$ 204.13 million
--	-------------------

Total Expenses/Distributions	\$ 237.84 million
-------------------------------------	--------------------------

Revenue Distribution

General Fund | **59.6%** | **\$121.8 Million**

Revenue sent to the state General Fund is used to provide much-needed additional resources for education and other critical state services.

Basic Health | **11.1%** | **\$22.7 Million**

Revenue sent to the Basic Health Fund is used to provide necessary basic health care services to working persons and others who lack coverage.

Cities, Counties | **24.2%** | **\$49.5 Million**

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, Prevention | **4.2%** | **\$8.5 Million**

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.

Research | **0.8%** | **\$1.6 Million**

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.



Research Distributions In Detail - \$1.64 Million	
Washington Wine Commission	\$ 254,827
UW Alcohol and Drug Abuse Institute	\$ 549,609
WSU Alcohol and Drug Abuse Research	\$ 366,406
WSU Wine and Grape Research	\$ 280,483
Washington State Patrol State Toxicology Program	\$ 150,000
Youth Tobacco Prevention	\$ 42,327

Legislative Session

2015 Enacted Liquor and Marijuana-Related Legislation

SB5052 – Establishing the Cannabis Patient Protection Act

Integrates the unregulated, unlicensed medicinal marijuana dispensaries and collective gardens into the state-regulated system for production, processing and sale of recreational marijuana including stricter authorization, endorsement and product guidelines. Creates a new pathway for patients to grow medicinal marijuana at home as part of a cooperative. The bill also changed the agency's official name to the Washington State Liquor and Cannabis Board.

HB 2136 – Relating to Comprehensive Marijuana Market Reforms to Ensure a Well-Regulated and Taxed Marijuana Market in Washington State

Amended multiple provisions of Initiative 502 and the medical marijuana regulations, including the tax structure, signage, residency and distance requirements for regulated businesses. Additionally, it created a license class for delivery services amongst licensees, as well as a distribution of marijuana revenue shared amongst qualifying local jurisdictions.

HB 1965 – Implementing a Temporary Additional Fee on Licenses and Permits Issued by the Washington State Liquor and Cannabis Board

Imposes a temporary additional fee of 6.2 percent on most new and renewed licenses and permits for two years. Revenue raised will fund the replacement of the WSLCB's legacy licensing, enforcement, imaging and stand-alone IT systems.

SSB 5280 – Concerning the Sale of Beer and Cider by Grocery Store Licensees

Allows grocery store licensees to sell tap beer and/or cider to a purchaser who provides their own sanitary container or one provided by the licensee or manufacturer for off-premise consumption.

E2SSB 5353 – Concerning Marketing Opportunities for Spirits Produced in Washington by Craft and General Licensed Distilleries

Amends provisions related to distillers located in

Washington, including selling spirits at qualifying farmer's markets, creation of a special permit for private events and direct shipping to consumers.

ESSHB 1807 – Assisting Small Businesses Licensed to Sell Spirits in Washington State

Allows a group of spirits retailers to accept delivery of spirits at any one of the individual licensee's premises or at a warehouse facility registered with the Liquor and Cannabis Board in order to negotiate volume discounts. Also sets a cap on the license issuance fee repayment penalty at a rate of no higher than one percent per month on the balance of the unpaid license issuance fee.

HB 1004 – Alcohol Tasting by Students

Adds regional and state universities, as well as eligible degree programs, to the list of educational institutions authorized for the tasting of alcoholic beverages by underage students enrolled in specified culinary or alcoholic beverage technology classes.

HB 1124 – Beer and Wine Sampling by On-Premises Licensees

Allows any licensee authorized under RCW 66.24 to serve beer on tap or wine for on-premises consumption to also provide samples of beer and wine free of charge for consumption on the premises.

HB 1342 – Permitting the Sale of Cider in Microbrewery Tasting Rooms

Allows microbreweries to sell cider produced by a domestic winery for consumption on or off the premises.

HB 2000 – Authorizing the Governor to Enter into Agreements with Federally Recognized Indian Tribes in the State of Washington Concerning Marijuana

Authorizes the Governor to enter into agreements with federally recognized tribes concerning marijuana sales or distribution between a state marijuana licensee and tribe. The authority delegated to the WSLCB to negotiate the agreements.

SB 5121 – Establishing a Marijuana Research License

Creates a license type for research into marijuana, allowing the holder to produce and possess marijuana for limited research purposes.

SB 5292 – Protecting Children and Youth from Powdered Alcohol

Makes it a misdemeanor offense to use, purchase, sell and possess powdered alcohol, except for bona fide research purposes.

SB 5662 – Authorizing a Licensed Domestic Brewery or Microbrewery to Provide Promotional Items to a Non-Profit Charitable Corporation or Association

Allows a licensed domestic brewery or microbrewery to provide branded promotional items that are of a nominal value to a registered nonprofit charitable organization.

SSB 5504 – Allowing Additional Liquor Distributor Employees to Stock Liquor Under Certain Circumstances

Allows minors between the ages of 18 and 21 who are employed by licensees holding non-retail class liquor licenses to stock, merchandise, and handle liquor at a retail licensee’s premises under adult supervision.

SSB 5596 – Creating a Special Permit for a Manufacturer of Wine to Hold a Private Event for the Purpose of Tasting and Selling Wine of its Own Production

Creates a special permit to conduct an event not open to the general public for the purpose of tasting and selling bottles of wine of its own production

###

Washington State Liquor and Cannabis Board

Mission

Promote public safety and trust through fair administration and enforcement of liquor, tobacco and marijuana laws.

lcb.wa.gov