Promoting Public Safety
Serving Communities
Selling Responsibly
Warehouse Operators Patrick Quintanilla and Eugene Mendiola from the Distribution Center in Seattle.

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Message from the Board

Dear Citizens of Washington:

We are pleased to present the Washington State Liquor Control Board (WSLCB) Fiscal Year 2007 Annual Report. This report provides key details about the agency’s mission, operations and accomplishments during FY 2007.

Investment in Business Operations
In FY 2007, the Legislature and Governor Gregoire invested an unprecedented $31 million in new funding for agency priorities such as additional hours for store employees and store equipment, support for expanded Sunday sales and building Information Technology capacity.

Leaders in Public Safety
Lorraine Lee and Ruthann Kurose were confirmed by the Senate as Board Chair and Board member respectively. Along with Board member Roger Hoen, the Board is emphasizing public safety as its top priority. In May 2007, Roger became co-chair of the Reduce Underage Drinking (RUaD) coalition to broaden leadership on youth drinking issues.

Balancing Revenue with Responsibility
Our retail stores brought in a record $726 million in gross sales and helped return a record $312 million to the state and local governments. Our state liquor store employees also achieved a 92 percent no-sales-to-minors compliance rate – among the nation’s highest -- compared to 76 percent among our licensees.

In September, the agency created a new division to oversee business operations. The Business Enterprise Division made great strides in adopting business practices that will ensure the WSLCB can respond to factors and trends driven by the marketplace, handle increased sales and an ever-growing population, and address needs that come from running a major retail operation.

New Enforcement Tools
The Enforcement and Education Division concentrated efforts to identify and address establishments posing the highest threat to public safety. The Division enhanced its use of technology in the field and instituted new programs such as random and data-driven compliance checks as well wearing marked apparel during emphasis patrols in Washington’s major cities.

We are proud of the enthusiasm, energy and accomplishments of our 1,450 full- and part-time employees. We also appreciate the continuing support and comments we receive from the public, our stakeholders, Governor Gregoire and the Legislature as we work to achieve our public safety and revenue-generating goals.

Sincerely,

Lorraine Lee
Chairman

Roger Hoen
Board Member

Ruthann Kurose
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 Administrative Director, who manages day-to-day operations. The Board holds regular public meetings and work sessions with stakeholders and other interest groups, and provides oversight for major policy and budget decisions.

**Lorraine Lee**  
*Board Chairman*
Lorraine Lee, of Federal Way, was appointed Board Chairman in November 2006. Prior to her appointment as Chairman, she had served as the Director of Licensing and Regulation for the WSLCB since 2002. She was the Assistant Director of the Washington State Lottery from 1997 to 2000 and Executive Policy Advisor for Governors Gary Locke and Mike Lowry from 1995 to 1997.

**Roger Hoen**  
*Board Member*
Roger Hoen, of Seattle, was appointed to the Board in 2002. Roger has more than 30 years of experience in the hospitality industry. He has been active with the Seattle-King County Convention and Visitors Bureau and served as a vice president and on the board of directors of the Restaurant Association of Washington. He has a long history of community involvement in the Seattle area and was recognized for proactively engaging minority- and women- owned businesses as subcontractors and vendor-suppliers.

**Ruthann Kurose**  
*Board Member*
Ruthann Kurose of Mercer Island was appointed to the Board in January 2007. Ruthann serves on the KCTS Public Television Advisory Board, the Seattle Art Museum Community Advisory Board. She recently completed her term as chairman of the Bellevue Community College Board of Trustees where she served for 14 years and the Wing Luke Asian Museum Capital Campaign Committee. Ruthann has a long history of public service working on congressional legislative policy in Washington, D.C. and on economic development policy for the cities of Seattle and Tacoma. In October 2007, Ruthann was honored as a “distinguished alumni” by the University of Washington Alumni Association for her efforts to ensure equal educational opportunities for all students.

**Pat Kohler**  
*Administrative Director*
Pat Kohler joined the WSLCB in January 2002. Pat has held senior level positions in the areas of finance, audit, materials management, and procurement. She received the 1998 Governor’s Distinguished Managers Award, and served as president of the National Association of State Procurement Officials in 2001, and as chair of the Western State Contract Alliance from 1999 to 2001. Pat is a certified public accountant.
WSLCB  Vision, Mission, Goals and Values

Vision
Ensure the responsible sale and consumption of alcohol and tobacco in Washington.

Mission
Promote public safety by preventing the misuse of alcohol and tobacco through controlled retail and wholesale distribution, licensing, regulation, enforcement and education.

Goals
• Ensure the highest possible level of public safety by continually improving business, regulatory, enforcement and education processes.

• Maximize financial return to the state by running an efficient business operation with strategically located state and contract stores.

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

• Encourage the innovative use of technology and information tools to ensure efficiency, expand communication and foster continuous improvement.

Values
Respect for people
Professionalism and integrity
Honest and open communication
Internal and external accountability
Public trust and stakeholder involvement
Organizational Structure

The Washington State Liquor Control Board is structured as follows:

**Board**
Three-member Board appointed by the Governor

**Administrative Director**
Appointed by the Board

- **Deputy Director**
- **Licensing**
- **Administrative Services**
- **Human Resources**
- **Business Enterprise**
- **Enforcement**

**Finance**

**Information Technology**

**Distribution Center**

**Purchasing**

**Retail**

- **Safety Program**

**MAST Program***
- **Retail and Non-Retail**

- **Alcohol Awareness**
- **Communications**
- **Legislative Relations**
- **Policy Relations**
- **Public Disclosure**
- **Rules**
- **Tribal Relations**

- **CHRI***
- **Non-Retail Enforcement**
- **Tobacco Tax Unit**

- **GMAP = Government Management Accountability and Performance**
- **MAST = Mandatory Alcohol Server Training**
- **CHRI = Criminal History Records Investigator**
**Washington’s Control System**
The Washington State Liquor Control Board (WSLCB) was formed in 1933 by the Steele Act to regulate the importation, manufacture, distribution, and sale of alcohol. The Board’s balanced mission provides equal emphasis on public safety and controlled distribution.

Since its inception, the WSLCB has returned more than $4 billion in revenue to the state. If current revenue trends continue, the agency will return more than $4 billion to Washington in the next decade.

**Why States Adopted Control Systems**
Before and after Prohibition in the U.S., alcohol was recognized as a substance with potentially negative consequences for public health and safety.

The 21st Amendment to the U.S. Constitution, which repealed Prohibition, gave states the right to regulate alcohol as they saw fit. Many states adopted control systems in an attempt to ensure higher levels of public safety and controlled distribution.

**Why Control Systems Work**
- Limited store hours.
- No employee incentive to sell.
- Higher prices produce lower consumption.
- Enforcement and licensing coordinated.
- Advertising prohibited.
- More revenue returned to state.

**Benefits of Control Systems**
- Lower per-capita consumption.
- Fewer alcohol-related deaths.
- Fewer lost work days.
- Fewer health care issues.
- Safer roadways.
- Greater variety of product selection.

**Control System Facts**
- Alcohol is taxed more in control states.
- Higher prices produce less consumption.
- Less consumption reduces the social, health, safety and economic costs from problems related to alcohol abuse.
- Eighteen U.S. control states and two control jurisdictions in Maryland.
- 28 percent of U.S. population lives in control states.
- Control states average 15.8 percent less in per-capita consumption.
- Control systems return about twice the revenue of non-control states.

**Control States**
In 2007, the Board combined three divisions responsible for the agency controlled distribution of liquor to form the Business Enterprise team: Purchasing, the Distribution Center, and Retail.

**Retail Services Division**

The Retail Services Division operates 161 state stores in high-population areas and closely regulates the operation of 154 contract liquor stores serving mostly rural areas.

The Distribution Center in Seattle and the Purchasing Services Division also play a key role in the overall supply chain process. Designated state stores supply all spirits sold in licensed restaurants in the state.

More than 800 full- and part-time employees work in the Retail Services Division as store clerks, assistant managers and managers. State and contract stores carry more than 1,900 products, including a wide selection of Washington wines.

<table>
<thead>
<tr>
<th>Retail at a Glance</th>
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</thead>
<tbody>
<tr>
<td>161 state stores.</td>
</tr>
<tr>
<td>154 contract stores.</td>
</tr>
<tr>
<td>Opened 29 additional stores on Sunday generating more than $6.3 million per year.</td>
</tr>
<tr>
<td>Average state store size: 5,000 square feet</td>
</tr>
<tr>
<td>Average store annual sales: $3.6 + million.</td>
</tr>
<tr>
<td>Average store return to state: $1.5 million</td>
</tr>
<tr>
<td>Average number of employees per store: 4 (full- and part-time)</td>
</tr>
</tbody>
</table>

The WSLCB’s Retail Business Plan calls for increased emphasis on:

- Improved store compliance rates to 94%.
- Improved customer service.
- Improved in-store information displays.
- More effective shelf displays.
- Improved accounting practices.
- Higher inventory turn rates.
- Fewer out-of-stocks.
- Improved technology.
- More accessible store locations.
- Improved store design.
- Improved special order processes.

**Gross Sales Continue to Increase**

Gross sales in state, contract, military and tribal liquor stores increased 94 percent between 1997 and 2007. The number of bottles sold increased by 48 percent during this period. Gross sales of liquor account for more than 90 percent of all revenue collected by the Liquor Control Board.

Gross sales are expected to continue to increase at a rate of more than five percent annually during the next decade. These sales increases will produce more than $4 billion in revenue for the state by 2017.

**94% Gross Sales Increase 1997-2007**

Why Sales Are Increasing

- Steady increase in state population.
- 40 percent increase in licensed establishments.
- Greater product diversification.
- Buying up to higher-priced brands.
- More strategic store locations.
- Sunday sales.
- Improved in-store merchandising.
State Population Growth
The total state population increased from 4 million to nearly 6.3 million between 1975 and 2006. The 21 and over population is expected to increase to 6.3 million by 2016.

Population growth, higher taxes and major brand performance, not increases in per-capita consumption, are driving higher gross sales increases of alcohol annually. Per-capita consumption has remained relatively stable throughout the last decade.

Revenue Return Projection 2008-2018*

<table>
<thead>
<tr>
<th>fiscal year</th>
<th>million</th>
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</thead>
<tbody>
<tr>
<td>2008</td>
<td>329</td>
</tr>
<tr>
<td>2009</td>
<td>345</td>
</tr>
<tr>
<td>2010</td>
<td>362</td>
</tr>
<tr>
<td>2011</td>
<td>380</td>
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<tr>
<td>2012</td>
<td>399</td>
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<tr>
<td>2013</td>
<td>419</td>
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<tr>
<td>2014</td>
<td>440</td>
</tr>
<tr>
<td>2015</td>
<td>462</td>
</tr>
<tr>
<td>2016</td>
<td>485</td>
</tr>
<tr>
<td>2017</td>
<td>509</td>
</tr>
<tr>
<td>2018</td>
<td>534</td>
</tr>
<tr>
<td><strong>Total</strong>:  $4.66 billion in 10 years</td>
<td></td>
</tr>
</tbody>
</table>

*Based on 5 percent increase

Revenue Increasing
Revenue returned to the state from liquor sales, taxes, surcharges, fees, markup and other sources has continued to increase substantially in recent years driven by increases in gross sales at state and contract liquor stores. If the estimated 5 percent growth rate in sales is achieved in the next decade, the WSLCB will return an approximated $4.66 billion in revenue to the state.

Sunday Sales Stores
Funding was authorized by the 2007 Legislature to open an additional 29 state liquor stores in FY 2008. The 2005 Legislature originally approved a pilot program to open 20 state and 35 contract liquor stores from noon to 5 p.m. on Sundays. The original 20 stores opened for Sunday sales returned nearly $15 million in the 2005-2007 biennium. The additional 29 Sunday sales stores are anticipated to add another $6.3 million per year in sales.

Sunday Sales Overview
• 49 state and 35 contract liquor stores are open for sales on Sunday, three open seasonally
• Original Sunday stores gross sales nearly $15 million
• Original estimated gross sales was $9.55 million

State Sunday Sales Store Characteristics
• Located in the state’s most populated areas
• Have the greatest Sunday revenue potential
• Are near shopping centers or other businesses open on Sunday
Liquor Store Risk Management Plan Improvements
Retail division has finalized a comprehensive improvement plan to reduce risk at state liquor stores.

The plan provides armored car services to transport money, increased security camera coverage and security guard presence to 18 more stores and 50 stores during the peak holiday sales season.

Upgraded Store Equipment
Retail liquor store equipment has been updated to help build long-term capacity. The new equipment allows for more long-term planning, provides new coolers, and replaces older software systems. Other improvements include new store signage and replacement of old fixtures.

Other Retail Improvements
The division continues to upgrade “Point of Sale” (POS) equipment with additional software builds. Touch screens are being installed in state stores with additional messaging added to encourage responsible consumption of alcohol.

Increasing Retail Staffing
The 2007-2009 biennial budget includes over $11 million in funds for additional staffing for state liquor stores. The funding adds another 107 FTEs to the division. It also adds 92 FTE staffing hours (approximately 17 people), to existing retail store staffing, which equates to over 160,000 additional work hours.

Distribution Center
The Distribution Center (DC) receives and ships all liquor, wine sold in state and contract stores, and all beer sold in state stores. Contract stores may purchase beer from the DC and licensed distributors. The DC is a highly automated warehouse facility with 83 employees.

Distribution Center At-A-Glance
- 166,000 square-foot warehouse in Seattle.
- 83 employees.
- Automated material handling system implemented in 2002.
- Receives and ships an average of 18,000 cases per day.
- Supplies liquor for more than 4,000 licensed restaurants.
- Stocks approximately 2,000 products.

DC Expansion Project
The WSLCB began a 62,000 square-foot expansion of the DC. The 2005 Legislature approved more than $20 million in revenue for improvements to help the facility meet supply and demand generated by increased sales.

The DC was operating beyond its daily capacity of 17,000 cases shipped for two years. The improvements and facility expansion will enable the DC to ship up to 32,000 cases per day, which is equivalent to peak loads now being experienced.

<table>
<thead>
<tr>
<th>Distribution Center Improvement Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Expansion adds 62,000 square feet</td>
</tr>
<tr>
<td>• New size: 228,000 square feet</td>
</tr>
<tr>
<td>• Increases daily shipping capacity to 32,000 cases</td>
</tr>
<tr>
<td>• Meets long-term growth forecast to 2018</td>
</tr>
<tr>
<td>• Increases storage capacity by 40 percent</td>
</tr>
<tr>
<td>• New Pick Module and Pick Module Conveyor</td>
</tr>
<tr>
<td>• 45 additional deck lanes</td>
</tr>
<tr>
<td>• New turret truck</td>
</tr>
<tr>
<td>• System software upgrade</td>
</tr>
</tbody>
</table>

**Total Project Cost $20.5 Million**
Financed by continuing existing $0.20 per-liter surcharge on spirits and through legislative appropriation.

**Distribution Center Expansion Timeline:**

- A/E Consultant Work Completed: July-Sept. 2005
- RFP Issued/Contractor Selected: Sept.-Dec. 2005
Purchasing Division

Key Activities

Product Selection
The Purchasing Division recommends the listing and delisting of products stocked in state stores on the basis of product performance and marketplace trends to the Board. Key factors of consideration include supplier marketing plans, category performance, supplier performance, retail shelf space, and warehousing space.

Supply Management
The Purchasing Division ensures the efficient supply of products to the stores by analyzing trends and working with suppliers to achieve maximum product availability within space constraints. The division also manages the logistics of seasonal promotions, and manages supplier performance.

Merchandising Strategies
Effective merchandising strategies help ensure an informative and pleasant shopping experience for customers. Convenient store layouts and logical product placement using schematic software on store shelves assist the customer in locating and purchasing the products they want to purchase. Promotional displays and price reductions are offered in a responsible manner.

Consumer/Industry Relations
The Purchasing Division works closely with consumers and liquor industry members to monitor relevant trends, address concerns, and ensure operational strategies are properly coordinated. Stakeholders include the Distillery Representatives Association of Washington (DRAW), the Washington Wine Commission, producers, suppliers, and brokers. The Wine Advisory Committee is chaired by the agency and comprised of private citizens who provide valuable feedback in the wine product selection process.

Purchasing At-A-Glance
- Over 2,000 Stock Keeping Units (SKU) procured.
- Over 300 suppliers managed.
- $357 million in annual expenditures.
- 15 dedicated team members.

Supplier Scorecard
The Supplier Scorecard is a management tool used by the division to help meet established targets when working with liquor suppliers. The Scorecard defines expectations clearly, provides timely feedback, and defines business with suppliers on the basis of value, not brand alone.

2007 Scorecard Results
- Supplier “no-shows” reduced by 44 percent.
- Suppliers improving performance.
- Special order lead time improved by 26 percent.
- Out-of-stock instances reduced by 55 percent.
- Liquor store order fill rates show continued improvement.
Licensing and Regulation Division

The Licensing and Regulation Division issues liquor licenses and permits for more than 15,000 qualified retail and non-retail businesses. The division has 40 employees, including license investigators and specialists that:

- Determine if new and current businesses are qualified to hold a liquor license.
- Regulate the production, importation, and distribution of beer and wine products.
- Provide oversight for the Mandatory Alcohol Server Training (MAST) program for bartenders and others who serve alcohol.

The division processed a record 5,038 license applications in FY 2007.
- 2,364 new applications
- 1,439 license assumptions
- 1,235 changes in status

The division also continued to use a new license pre-approval process, which enabled more than 1,100 businesses to open an average of three weeks earlier.

The division also implemented improvements that make it easier to post prices and use the division's beer and wine labeling systems.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licensees (total)</td>
<td>12,515</td>
<td>12,619</td>
<td>13,184</td>
<td>13,530</td>
<td>14,264</td>
<td>14,604</td>
<td>15,477</td>
</tr>
<tr>
<td>Retail Licensees</td>
<td>11,337</td>
<td>11,453</td>
<td>11,791</td>
<td>12,121</td>
<td>12,331</td>
<td>12,650</td>
<td>13,006</td>
</tr>
<tr>
<td>Grocery Stores</td>
<td>4,576</td>
<td>4,577</td>
<td>4,651</td>
<td>4,699</td>
<td>4,814</td>
<td>4,909</td>
<td>4,957</td>
</tr>
<tr>
<td>Spirits/Beer/Wine Restaurants, Clubs, Sports/Entertainment Facilities</td>
<td>3,525</td>
<td>3,832</td>
<td>3,980</td>
<td>4,104</td>
<td>4,276</td>
<td>4,439</td>
<td>4,617</td>
</tr>
<tr>
<td>Beer &amp; Wine Restaurants</td>
<td>2,408</td>
<td>2,230</td>
<td>2,377</td>
<td>2,506</td>
<td>2,602</td>
<td>2,633</td>
<td>2,859</td>
</tr>
<tr>
<td>Taverns</td>
<td>787</td>
<td>618</td>
<td>559</td>
<td>580</td>
<td>396</td>
<td>342</td>
<td>300</td>
</tr>
<tr>
<td>Bed &amp; Breakfast, Serve Employees &amp; Guests, Non-Profit Arts Organization, and Motel licenses</td>
<td>41</td>
<td>196</td>
<td>244</td>
<td>232</td>
<td>243</td>
<td>327</td>
<td>273</td>
</tr>
<tr>
<td>Non-Retail Licensees</td>
<td>1,178</td>
<td>1,166</td>
<td>1,393</td>
<td>1,409</td>
<td>1,690</td>
<td>1,954</td>
<td>2,471</td>
</tr>
<tr>
<td>Wineries</td>
<td>248</td>
<td>214</td>
<td>259</td>
<td>360</td>
<td>353</td>
<td>437</td>
<td>515</td>
</tr>
<tr>
<td>Breweries</td>
<td>91</td>
<td>82</td>
<td>85</td>
<td>86</td>
<td>84</td>
<td>81</td>
<td>100</td>
</tr>
<tr>
<td>Distributors and Importers</td>
<td>153</td>
<td>140</td>
<td>241</td>
<td>253</td>
<td>183</td>
<td>186</td>
<td>204</td>
</tr>
<tr>
<td>Certificate of Approval Out of State Breweries and Wineries</td>
<td>624</td>
<td>685</td>
<td>729</td>
<td>766</td>
<td>960</td>
<td>1,192</td>
<td>1,339</td>
</tr>
<tr>
<td>Applications Processed</td>
<td>2,722</td>
<td>3,251</td>
<td>3,456</td>
<td>3,911</td>
<td>4,336</td>
<td>4,613</td>
<td>5,038</td>
</tr>
<tr>
<td>Applications Processed (Retail)</td>
<td>2,669</td>
<td>3,123</td>
<td>3,267</td>
<td>3,810</td>
<td>3,616</td>
<td>4,100</td>
<td>4,146</td>
</tr>
<tr>
<td>Applications Processed (Non-Retail)</td>
<td>103</td>
<td>128</td>
<td>189</td>
<td>101</td>
<td>720</td>
<td>513</td>
<td>892</td>
</tr>
</tbody>
</table>
Licensing and Regulation Division

Major Initiatives

**EHB 2113 – Local Government Objections to Issuance of Liquor Licenses**

The 2007 Legislature passed a law that modifies how WSLCB considers the potential denial of an initial license application or renewal of a license.

Local governments may submit objections to the Board after they receive notice of a license application or renewal of an existing license based on “chronic illegal activity.” The WSLCB must give substantial weight to objections based on chronic illegal activity and documented in the local government’s objection.

“Chronic illegal activity” includes a pervasive pattern of activity that threatens the public safety of the local government’s jurisdiction. The activity may include open container violations, assaults, disturbances, disorderly conduct, or activity documented in crime statistics, police reports, emergency medical responses, calls for service and similar records.

Chronic illegal activity is also an unreasonably high number of DUI violations associated with the applicant or the establishment being licensed. This chronic illegal activity must be associated with the applicant’s operation of the premises being licensed or other licensed premises operated by the applicant or conduct of patrons inside or outside of the licensed premises.

**HB 1349 - Kegs to Go**

The 2007 Legislature passed legislation that allows the holder of a Spirits/Beer/Wine Restaurant liquor license to obtain an endorsement to sell for off-premises consumption malt liquor in kegs or other containers that are capable of holding four gallons or more and are registered in accordance with RCW 66.28.200. The annual fee for the endorsement is $120.

**Alcohol Impact Area (AIA)**

In 1999, rules were adopted to create a framework for communities, the WSLCB, and the alcohol industry to work together to mitigate problems with chronic public inebriation or illegal activities linked to the sale or consumption of alcohol. The rules allow the WSLCB to recognize a geographic area within a city or town as an AIA. The alcohol impact area must be designated by ordinance of the government subdivision, then recognized by Board resolution before any enhanced processes described by these rules are applied.

**Current AIAs**

In FY 2007, there were two cities in Washington with WSLCB approved AIAs: Tacoma and Seattle. In December 2001, the WSLCB approved the city of Tacoma’s request for an AIA in the downtown central core. In 2003, the WSLCB approved the first AIA in the Pioneer Square in the city of Seattle. In August 2006, the WSLCB approved two new Seattle AIAs, the Central Core and North AIAs.

**AIAs Under Consideration**

The city of Tacoma passed an ordinance in April 2007 for a second AIA in the Lincoln District. The city is in the early stages of the process. The city of Spokane is also working with liquor licensees in their downtown area following an ordinance adopting an AIA in Spokane. Other cities in Washington are also researching this option to address chronic public inebriation.

**AIA Effectiveness - Evaluations**

A 2003 evaluation of the Tacoma AIA demonstrated a positive impact on the problems of public inebriation and other related indicators. Evaluation of the Seattle AIA is not due for another year. The LCB continues to evaluate the effectiveness of the AIA initiative utilizing a consultant.
Enforcement and Education Division

The Enforcement and Education Division is responsible for enforcing liquor and tobacco laws statewide. Officers also provide training to licensees and for local law enforcement agencies.

Division Mission
To ensure that liquor and tobacco are sold and used legally and responsibly.

Division Vision
To be a successful law enforcement organization respected for creating safe communities through voluntary compliance, educational excellence, and consistent, impartial enforcement.

The division’s personnel carry out their duties with the highest standards of personal and professional ethics based on honesty, integrity and trust. Every individual who comes in contact with a division employee is to be treated with the highest level of courtesy and respect.

Liquor and Tobacco Enforcement Officers
Liquor and Tobacco enforcement officers are limited-authority, commissioned law enforcement officers empowered to enforce the state’s liquor and tobacco laws.

Officers have received extensive specialized training in the areas of liquor and tobacco law enforcement. All officers must attend 32 hours of in-service training each year specific to their job responsibilities.

Officers are empowered to issue verbal and written warnings for minor infractions and administrative violation notices for more serious or repeat offenses. Violations are punishable by a fine, a temporary license suspension or both. In cases of repeated violations, a license can be revoked by action of the Board.

Enforcement officers also provide licensees with proper signage, written and online instruction on how to comply with liquor laws, and assistance developing security plans and other site-specific strategies.

Retail Enforcement
The retail enforcement section strives to protect and serve the public by ensuring legal acquisition and responsible use of alcohol and tobacco. This is achieved primarily through licensee education and enforcement operations.

Retail Regional Enforcement Offices

<table>
<thead>
<tr>
<th>Region 1 – Southwest Washington</th>
<th>Region 3 – Northwest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Office: Tacoma</td>
<td>Regional Office: Everett</td>
</tr>
<tr>
<td>Field Offices: Vancouver, Tacoma, Bremerton</td>
<td>Field Office: Bellingham</td>
</tr>
<tr>
<td>3,828 licensees / 14 enforcement officers</td>
<td>2,403 licensees / 8 enforcement officers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region 2 – Seattle</th>
<th>Region 4 – Central and Eastern</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seattle Region</td>
<td>Regional Office: Spokane</td>
</tr>
<tr>
<td>3,258 licensees / 15 enforcement officers</td>
<td>Field Offices: Kennewick and Wenatchee</td>
</tr>
<tr>
<td></td>
<td>2,860 licensees / 12 enforcement officers</td>
</tr>
</tbody>
</table>
Enforcement and Education

Educational efforts:
• Free liquor law briefing materials and training
• Monthly training classes offered to all licensees and their staff
• Technical assistance visits to all new licensees
• One-on-one educational support when requested
• Liquor law training for law enforcement officers
• Collaboration with community groups, such as the Washington State Coalition to Reduce Underage Drinking (RUaD)

Enforcement operations:
• Compliance checks
• Undercover operations
• Joint patrols with local law enforcement
• Emphasis patrols on locations of strategic interest
• Unannounced premises visits
• Regulatory enforcement
• Licensing support
• General investigations encompassing:
  • Citizen complaints
  • Alcohol-related serious injury accidents
  • Financial audits

Tobacco Tax Unit
The Tobacco Tax Unit was created in 1997 to enforce the tobacco tax laws of Washington State. It includes 18 enforcement officers whose primary functions are to inspect cigarette/other tobacco product retailers, wholesalers and distributors, and to investigate and halt illegal shipments of contraband cigarettes and other tobacco products.

The Tobacco Tax Unit also:
• Maintains state and federal partnerships
• Educates wholesale, distributors and retail licensees on tobacco laws
• Works with Native American Tribes

The Tobacco Tax Unit continues to conduct retail/wholesale tobacco inspections, leading to the identification of unpaid taxes on Other Tobacco Products in excess of $3 million dollars in 2007.

Non-Retail Enforcement
Non-Retail Enforcement is responsible for the enforcement of state liquor laws and regulations that impact non-retail licensees, including in-state and out-of-state entities that produce, import and distribute alcohol in Washington State. Washington State is a major wine producer with over 500 licensed wineries. This unit has eight commissioned officers and one program manager.

Recruiting and Retaining Officers
Plagued for several years by high turnover and difficulty in recruiting qualified candidates for the liquor enforcement officer position, the division instituted several initiatives in 2007 that should reverse this trend.

Obtained Pay Raise for Officers
The division worked with the Washington Public Employees Association to obtain a 20 percent pay raise overall for its officers. Pay for WSLCB officers is now comparable to most law enforcement agencies in the state, and the raise makes the division very competitive in attracting and retaining new officers.

Liquor Enforcement Basic Academy
As a result of a successful budget request during the 2007 legislative session, the division – working with the Criminal Justice Training Commission – is establishing the Liquor Enforcement Basic Academy. This academy, unique in the nation, will provide certified law enforcement training tailored directly to the needs of liquor enforcement officers. The first academy will begin in April 2008. This addition will ensure the division has a growing number of highly trained and motivated new officers for years to come.
Liquor Enforcement Officer 3 Position  
To augment the career path of WSLCB officers and meet critical training and educational needs throughout the state, the division established a Liquor Enforcement Officer 3 position (LEO 3) assigned to each Lieutenant.

The Liquor Enforcement Officer 3 is responsible for:
- Training of new officers
- Developing licensee educational plans for the regions
- Acting in the absence of the Lieutenant

By adding a promotional opportunity with the LEO 3 position, the division can now offer a smooth progression of advancement, which will have a significant effect on officer retention.

Public Safety  
With limited resources available for liquor enforcement, the division has concentrated on identifying and addressing those establishments that pose the highest threat to public safety.

Several new programs are now in place to bring the proper level of enforcement to these locations.

Data-driven compliance checks
Data-driven compliance checks and premises visits have proven very effective over the last year.

Using several data sources, the division is able to concentrate its efforts on problem locations and venues.

The following sources of information are used throughout the state to identify such locations:
- The Driving Under the Influence (DUI) referral lists from the Washington State Patrol and other law enforcement agencies
- Calls for services from local law enforcement
- WSLCB violation history
- Citizen and community complaints
- Complaints and other information from municipal and county governments

Locations of Strategic Interest (LSI’s)
Locations of Strategic Interest are those locations which, based on the data sources mentioned above, pose the greatest threat to public safety in a region. These locations become the focus of intense enforcement and educational efforts by the division. Licensees are told they must either come into compliance with the liquor laws or, through progressive enforcement actions, lose or relinquish their licenses. These programs have been very successful, and the division has received a number of accolades from local law enforcement and local communities for its efforts with LSI’s.

Standard Uniforms
Liquor enforcement officers have been issued standard uniforms with appropriate WSLCB and police markings to be worn at special events, during special emphasis actions, and in those venues and locations where the presence of a uniformed officer will act as a deterrent to liquor-related infractions. These uniforms also identify WSLCB officers to other law enforcement agencies, which increases the safety of the officers and allows a closer and more productive working relationship with these agencies’ officers.

Random Compliance Checks
To identify reliably the actual percentage of retail outlets that sell to underage persons, the division established a program of random compliance checks. Over 1,000 on- and off-premises establishments statewide were randomly selected, and the percentage of compliance was 76 percent. These checks will be done every year, and the division expects to see that percentage rise as a result of its public safety efforts.
## Marks of Excellence

### Business Enterprise - Retail Services
- Long-range business planning
- Store profitability strategies
- Inventory management
- Accounting systems
- New store development strategies
- Store relocation and renovation
- In-store merchandising strategies

Provided armored car services and increased security camera coverage and security guard presence at liquor stores to reduce risk

Updated several state stores with new coolers and fixtures and updated store signage to build long-term capacity - Stores will continue to be updated

Relocated nine underperforming state stores to maximize financial return and provide excellent customer service

Opened 29 additional Sunday Sales stores from funding received from the Legislature.

### Business Enterprise - Distribution Center
- 166,000 square-foot warehouse in Seattle
- Supplies product to all state and contract stores
- Handles more than 5 million cases annually
- Ships and receives an average of 18,000 cases per day
- Meets demands in high-volume periods
- Maintains workplace safety emphasis
- Ensures supplier accountability
- Maintains control over 2,000 products

Supplier accountability “scorecard” decreased missed delivery appointments by 44 percent

Construction of a 62,000 square-foot warehouse expansion continued

Liquor order fill rate continues to improve and was 93.1 percent in July 2007

### Business Enterprise - Purchasing
- Selects products using trend analysis and category strategies
- Implements modern in-store merchandising strategies
- Manages 1500+ products from over 300 suppliers
- Work with industry suppliers and stakeholders

Developed a modern merchandising plan including in-house shelf schematics and in-store merchandising assistance

Expanded Supplier Scorecard program, reducing out-of-stock products by 55 percent

Created a buying database to facilitate easier, more accurate product ordering

Increased usage of automated special order system by 26 percent and improving speed of delivery of special orders to customers
### Licensing & Regulation
- Retail licensing services
- Technical assistance to licensees, applicants and the public
- Services for non-English speakers
- Mandatory Alcohol Server Training (MAST)
- Oversight of state’s wineries and breweries

Processed a record 5,038 license applications
- 2,364 new applications
- 1,439 license assumptions
- 1,235 changes in status

A Density Workgroup, formed to help local governments give input to the Board when it is determining the number of licenses needed to serve communities, submitted recommendations and an interim policy was adopted by the Board.

A Three-Tier Task Force was staffed to review the state’s distribution system of beer and wine completed with recommendations

Workgroup created to review options regarding “money’s worth” and financial interest/ownership across the state

### Human Resources
- Employee safety
- Workforce planning (including succession planning)
- Cooperative labor relations
- Employee development and training
- Performance management
- Wellness program

Created a specialized recruitment team to enhance the recruitment process

Re-negotiated two labor contracts covering more than 90 percent of employees and provided training for all supervisors and managers on contract changes

Refined training program to address core employee training requirements and began creation of an online New Employee Orientation set to launch in 2008

### Enforcement and Education
- Alcohol and Tobacco enforcement
- Front-line presence for public safety
- Licensee education

Secured funding to establish the Liquor Enforcement Basic Academy

Created Liquor Enforcement Officer 3 positions responsible for training new officers, developing licensee educational plans, and acting in the absence of their Lieutenant

Obtained a 20 percent pay raise for officers and issued standard uniforms to wear at special events

Created new programs to target enforcement efforts, including data-driven compliance checks, Locations of Strategic Interest, and random compliance checks
## Marks of Excellence

### Director’s Office
- New and revised laws/rules
- Agency policy development, GMAP, WSQA
- Agency communications
- Public records requests
- Education/awareness programs

- Revised rules regarding direct shipment of wine to Washington consumers and self-distribution by US wineries and breweries to licensed liquor retailers
- The Public Records Unit processed a record 4,643 public records requests
- 70 operational policies and procedures were reviewed and developed
- Conducted alcohol awareness assemblies in 19 middle schools, reaching more than 9,300 students

### Information Technology Services
- Central computing system maintenance
- Business technology planning/support
- Software design/implementation
- Technology training
- Customer assistance
- Internet / intranet technology support
- E-mail / telephone maintenance

- Completed the initial work required for the agency to meet retail security standards established by the Payment Card Industry
- Continued review of agency IT best practices using the Information Technology Infrastructure Library to improve IT delivery and support for the agency
- Developed a business case, based on caseload, that was presented to the Legislature allowing the division to increase the number of professional technology staff

### Financial Services
- Budgeting / Accounting / Auditing
- Revenue-forecasting
- Facilities maintenance
- Vehicle leasing
- Travel
- Contract services
- Risk management

- Implemented an online E-Filing and Payment system resulting in easier and faster reporting for more than 2,200 beer and wine tax customers
- Decommissioned in-house supply room and implemented agency-wide online office supplies ordering process, allowing for greater efficiency and cost savings
- Rolled entire fleet of agency copiers to new multifunctional devices, which resulted in increased functionality with approximate savings of $2,200 a month
## Income and Expenses FY 2007

### Income

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Liquor Sales</td>
<td>$ 774.18 million</td>
</tr>
<tr>
<td>Beer Taxes</td>
<td>$ 30.77 million</td>
</tr>
<tr>
<td>Wine Taxes</td>
<td>$ 20.75 million</td>
</tr>
<tr>
<td>License Fees</td>
<td>$ 11.10 million</td>
</tr>
<tr>
<td>Other*</td>
<td>$ 1.23 million</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>$ 838.03 million</strong></td>
</tr>
</tbody>
</table>

*Includes lottery sales, tobacco seizures, carrier mark-up, penalties and other income.*

### Expenses/Distributions

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Product</td>
<td>$ 357.37 million</td>
</tr>
<tr>
<td>Product Discounts</td>
<td>$ 66.06 million</td>
</tr>
<tr>
<td><strong>Sub - Total Product</strong></td>
<td><strong>$ 423.40 million</strong></td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Retail/Purchasing/DC</td>
<td>$ 75.40 million</td>
</tr>
<tr>
<td>Licensing/Enforcement</td>
<td>$ 15.49 million</td>
</tr>
<tr>
<td>General</td>
<td>$ 13.25 million</td>
</tr>
<tr>
<td>Operating Reserve</td>
<td>$ 1.80 million</td>
</tr>
<tr>
<td><strong>Total Operating</strong></td>
<td><strong>$ 102.3 million</strong></td>
</tr>
<tr>
<td><strong>Distributions</strong></td>
<td></td>
</tr>
<tr>
<td>Returned to the State</td>
<td>$ 312.26 million</td>
</tr>
<tr>
<td><strong>Total Expenses/Distributions</strong></td>
<td><strong>$ 838.03 million</strong></td>
</tr>
</tbody>
</table>
The Washington State Liquor Control Board returned $4 billion to the state between 1934 and 2007. The WSLCB is expected to return more than $4.66 billion to the state in the next decade.
More than half of the money generated by the WSLCB annually goes to the General Fund, where it is used to provide much-needed additional resources for education and other critical state services.

In the next decade, the WSLCB will send more than $1.5 billion to the state General Fund, a significant revenue boost in a time of scarce public resources. Legislatively mandated increases in the liter tax in recent years have been used to prevent program reductions and budget cuts.

Money 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.

Money generated through the WSLCB funds a portion of the state’s Basic Health Program, which serves more than 110,000 people annually who cannot otherwise afford health care. The program provides affordable health care coverage through private health plans. Included are plans providing health benefits for children and for pregnant women who qualify under Medicaid criteria.
Education and prevention funds pay for programs such as the statewide Violence Reduction Drug Enforcement program (VRDE), which funds drug offender treatment services, the Washington jail reporting system, the juvenile rehabilitation tracking system, civil indigent legal representation, multi-jurisdictional narcotics task forces and grants to community networks.

A portion of education and prevention funding also pays for the Department of Social and Health Services alcohol and substance abuse programs administered by the Division of Alcohol and Substance Abuse. Among these programs are community-based initiatives to reduce underage drinking.

Money from beer and wine taxes supports research on alcohol abuse and addiction at the University of Washington and on wine and grape development at Washington State University.

Money also is assigned to support the Washington Wine Commission, which is organized to promote and develop the state’s wine industry. In 2007, 515 wineries were licensed in Washington state.

Research Distributions In Detail - $2.3 Million

<table>
<thead>
<tr>
<th>Program</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washington Wine Commission</td>
<td>$887,780</td>
</tr>
<tr>
<td>UW Alcohol and Drug Abuse Institute</td>
<td>$482,062</td>
</tr>
<tr>
<td>WSU Alcohol and Drug Abuse Research</td>
<td>$321,375</td>
</tr>
<tr>
<td>WSU Wine and Grape Research/Instruction</td>
<td>$220,030</td>
</tr>
<tr>
<td>Alcohol Awareness Program</td>
<td>$150,000</td>
</tr>
<tr>
<td>WSP State Toxicology Program</td>
<td>$150,000</td>
</tr>
<tr>
<td>Youth Tobacco Prevention</td>
<td>$89,795</td>
</tr>
</tbody>
</table>
WHERE YOUR LIQUOR DOLLARS GO . . .

More than 42 percent of the price of each bottle supports programs and services for Washington citizens.

Taxes, markup and fees collected provide more than $312 million in FY ’07 for state programs and services.

State Tax
$4.67
34%
includes liter and sales taxes

Markup
$3.13
23%
includes surcharges

Federal Tax
$2.14
16%

Distillery Price
$3.71
27%
includes $.12 delivery cost

Price at Register
$13.65
WSLCB Request Legislation

WSLCB 2007-09 Operating Budget
The Legislature approved an Operating Budget for the WSLCB with a $33.5 million increase, which includes 127 additional FTEs and nearly 400,000 additional store hours.

Legislation relevant to the Washington State Liquor Control Board

SB 5551 Tobacco tax enforcement
This bill adds authority to inspect books and records of common carriers to the enforcement of cigarette tax laws, making it consistent with other tobacco products; adds authority to inspect books and records of vehicle rental agencies used to transport tobacco; and adds authority to issue subpoenas to compel the production of books and records during investigation of activity under liquor and tobacco tax laws.

E2SSB 5859 Omnibus retail liquor license bill
This bill addresses several key licensing issues:

- **Total number of spirits, beer, and wine restaurant licenses:** The density formula for the statewide number of spirits, beer, and wine restaurant licenses allowed in the state is increased from one for every 1,450 persons to one for every 1,300 persons in the state.

- **Summary suspension of liquor licenses:** Businesses that sell alcohol to those under 21 may be closed by a Board approved emergency suspension for up to 180 days or longer if ruled by an administrative judge if conditions impacting public safety exist.

- **Storing alcohol on another’s premises:** A restaurant may use its alcohol inventory to cater events that are held at locations other than the restaurant using a caterer’s endorsement to its liquor license.

- **Microbrewery/brewery second location/catering:** A microbrewery or a brewery that has an on-site restaurant may have a second retail restaurant license at an off-site location.

- **Society or organization:** A wine industry trade association made up of wine manufacturers may hold a retail liquor license to sell liquor at an event.

- **Hotel liquor license:** A new retail liquor license is established for hotel operations effective July 1, 2008. Currently, hotels serve alcohol to their guests typically under a restaurant license.

Liquor Related Legislation

ESHB 1047 Alcohol in food and candy
A grocery store licensed by the WSLCB with a snack bar license may receive an endorsement from the Board to sell confections containing more than 1 percent but not more than 10 percent alcohol by weight to persons 21 or older.

HB 1349 Sale of alcoholic beverages
This bill allows spirits, beer, and wine restaurant licensees to sell kegs to go.

EHB 2113 Local government objections to issuance of liquor licenses
This bill modifies the Board’s authority to issue liquor licenses when local jurisdictions object.

HB 2240 Wine retailers – tied house exceptions
Removes from tied house restrictions “personal services” performed by wineries including COA holders when these services are conducted at a licensed retail premises and are intended to inform, educate, or enhance the customers’ knowledge or experience of the manufacturer’s and (COA’s) product.
**SB 5011 Beer/wine distribution bill**
Removes the sunset from legislation passed in 2006 that allows the self-distribution of beer and wine by suppliers to Washington liquor retailers.

**SSB 5639 Microbreweries catering endorsement**
This bill allows a microbrewery holding either a spirits, beer, and wine restaurant license or a beer and/or wine restaurant license to also receive a caterer’s endorsement with either license.

**SSB 5721 Sports/entertainment financial arrangements**
Creates an exception to the tied house statute allowing a manufacturer, importer or distributor to enter into an arrangement with a sport/entertainment facility licensee or affiliated business for brand advertising at the facility. In addition, it allows manufacturer, importer or distributor to promote events held at the facility; and prohibits the use of these arrangements for inducing the purchase of the manufacturer, importer or distributor’s products and for excluding the brands or products of others.

**SSB 5898 Common carrier for wine**
This bill allows in-state and out-of-state wineries to use common carriers for shipping their own products directly to retailers.

**SB 5902 Sunday sales**
This bill expands Sunday sales to an additional 29 stores by September 1, 2007 and directs $1.95 million from the distribution to the state general fund from liquor revenue to the newly created public benefit and research services account.

**Tobacco Related Legislation**
**HB 1674 Cigarette tax contracts**
This bill adds the Spokane Tribe to those Tribes with whom the Governor is authorized to contract for cigarette tax implementation. The Hoh Tribe was also added via a Senate amendment to the bill.
Washington State Liquor Control Board

Mission

Promote public safety by preventing the misuse of alcohol and tobacco through controlled retail and wholesale distribution, licensing, regulation, enforcement and education.

www.liq.wa.gov