Washington State
Liquor Control Board

Balancing *Revenue* and Responsibility

FY 2005 Annual Report

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Washington State
Liquor Control Board

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Liquor Control Board whiskey bottle from the 1930s with original agency logo.

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Message from the Board

Citizens of Washington:

The Washington State Liquor Control Board experienced a record year in 2005, forging gains in our business and regulatory operations. The outstanding efforts of our more than 1,350 full- and part-time employees made these gains possible.

In 2005, our agency stood at a crossroads. Without additional investment by the state, the LCB was not going to be able to keep pace with continued growth in our business, and increasing demand for licensing and enforcement services.

In response, we outlined an ambitious plan to improve our store and supply operations and to deliver licensing, regulatory and enforcement services in a more strategic and effective manner.

Among the proposals we advanced were a major expansion and upgrade of the Distribution Center in Seattle, an increase in staffing for state stores, technology improvement and a new emphasis on statewide alcohol education and awareness.

The Legislature responded by providing more than $37 million in appropriations. This report provides information about the many projects that have been completed and are now under way.

As we move ahead, we will continue to focus on improving our operation through performance-based planning and resource allocation that maximizes the state's return on its investment. We also will seek greater flexibility to make needed investments in our business operations by pursuing an enterprise funding model.

On behalf of our employees, we appreciate the continuing support we receive from the public, our stakeholders and the Legislature. We also welcome your comments as we continue to carry out our important public safety and revenue-generating mission.

Sincerely,

Merritt D. Long Chairman	Roger Hoen Board Member	Vera Ing Board Member

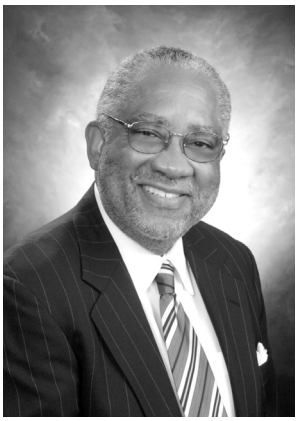
LCB Board Members

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. They also hold regular public meetings and work sessions with stakeholders and other interest groups and provide oversight for major policy and budget decisions.

Merritt D. Long

– Board Chairman

Prior to being named Chairman in 2001, Merritt served as the director of three state agencies during a 34-year career in state government: as CEO of the Washington State Lottery, director of the Washington State Human Rights Commission, and director of the State Board for Vocational Education. He was appointed to the Board by Governor Gary Locke and reappointed by Governor Christine Gregoire.



Vera Ing

– Board Member

Appointed to the Board in 1999, Vera Ing, a former principal in the firm of Mulvanny/Ing Architects, has worked in the public and private sectors as a planner and small business owner.

She has served on the boards of the Seattle Center, the International District Improvement Association, the Asian American Management Association and the University of Washington Women's Resource Center. She also has participated in trade missions to Japan, Taiwan, Korea, China and the Philippines.

Roger Hoen

– Board Member

Mr. Hoen has extensive experience in the food and beverage industry, having served in executive management positions at many of the state's largest sports and entertainment facilities: the Kingdome, Tacoma Dome, Gorge Amphitheater, and the Woodland Park Zoo.

Active in Seattle civic affairs, he has spearheaded efforts to assist local food banks, non-profit organizations and educational institutions. He was appointed to the Board in 2002.

WSLCB Vision, Mission, Goals and Values

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

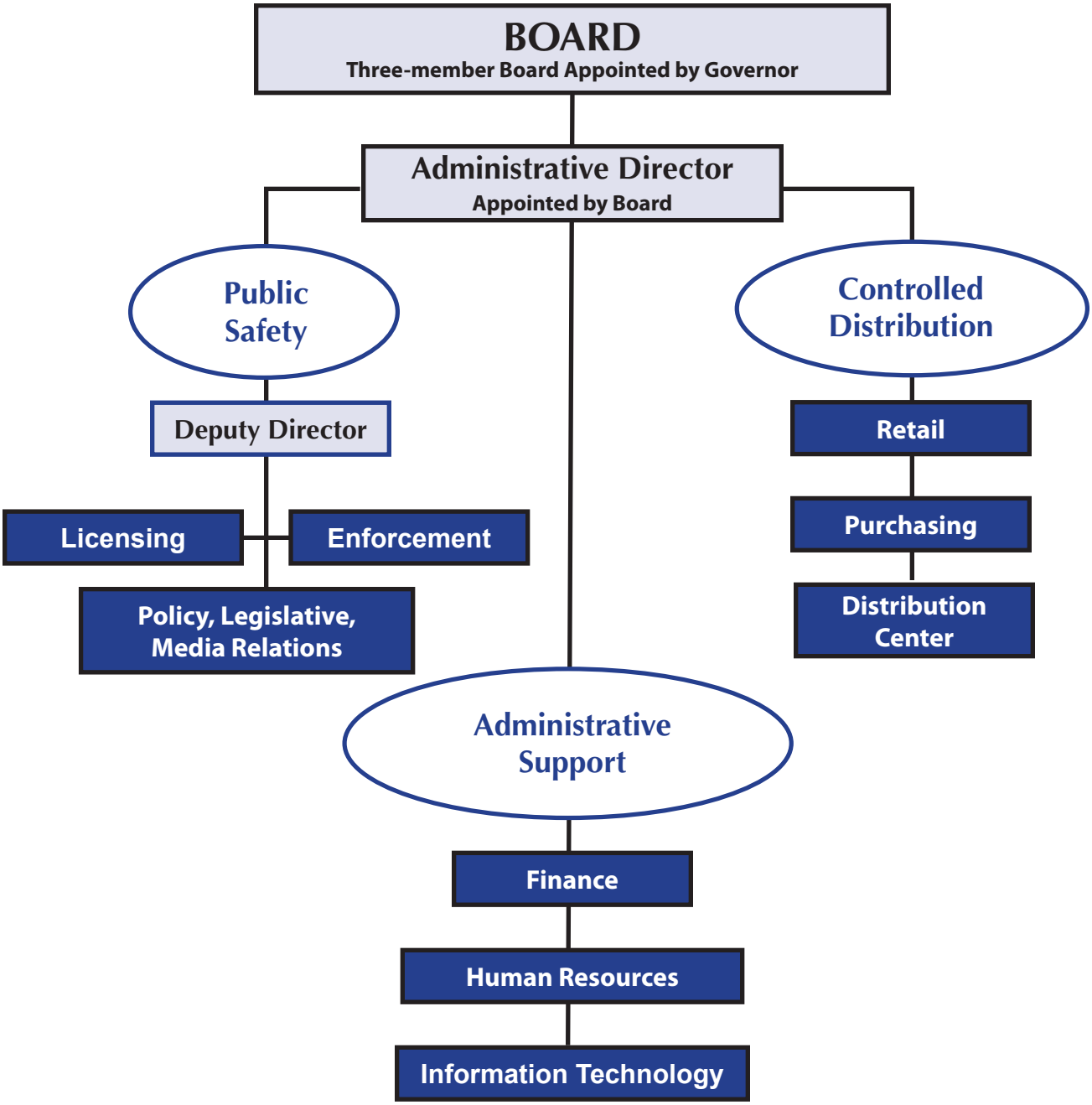
Mission
Prevent the misuse of alcohol and tobacco and promote public safety through controlled retail and wholesale distribution, licensing, regulation, enforcement and education.

Goals

- Maximize financial return to the state by running an efficient business operation with strategically located state and contract stores.
- Continually improve business, regulatory, enforcement and education processes to ensure the highest possible level of public safety.
- Recruit, develop, retain and value a highly competent 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



Control States

LCB's Balanced Mission

Washington's Control System

The Liquor Control Board 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 revenue generation.

Since its inception, the Liquor Control Board has returned more than $4 billion in revenue to the state. If current revenue trends continue, the agency will return more than $3 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.

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

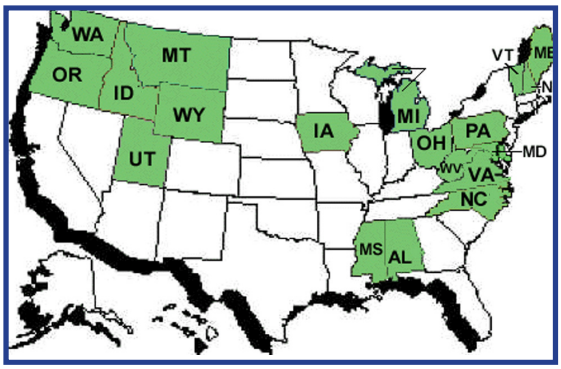
- Lower per-capita consumption.
- Fewer alcohol-related deaths.
- Fewer lost work days.
- Fewer health care issues.
- Safer roadways.

Control System Facts

Control systems produce lower rates of per-capita consumption. 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.
- Two control jurisdictions in Maryland.
- Twenty eight 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



Alabama, Idaho, Iowa, Maine, Michigan, Mississippi, Montana, New Hampshire, North Carolina, Ohio, Oregon, Pennsylvania, Utah, Vermont, Virginia, Washington, West Virginia, Wyoming, Montgomery and Worcester counties in Maryland.

"As our population continues to mature, customer accessibility and convenience will become more important factors. Careful selection of new outlet locations and models will be important." - Retail Services Plan

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 liquor sold in spirits, beer and wine licensed restaurants.

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

Retail at a Glance
161 state stores.
154 contract stores.
Four new stores opened in 2004-2005.
Average state store size: 5,000 square feet
Average annual sales: $3 + million.
Average return to state: $1.26 million
Average number of employees per store: 4 (full- and part-time)

The LCB's Retail Business Plan calls for increased emphasis on:

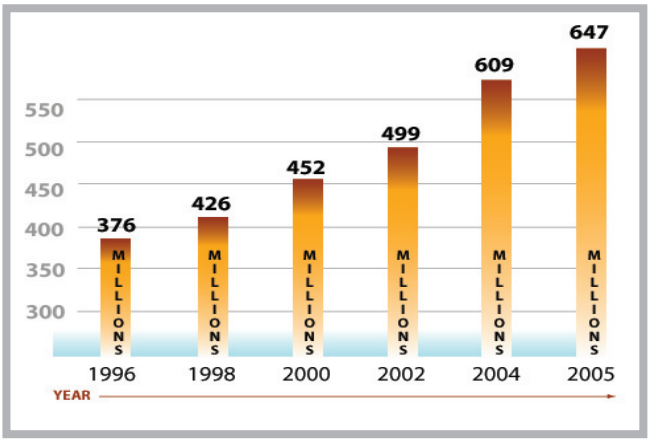
- Improved customer service.
- Improved in-store information displays.
- More effective shelf displays.
- Improved accounting practices.
- Higher inventory turn rates.
- Fewer out-of-stocks.
- Improved technology.
- More accessible store locations.
- Improved store design.
- Improved special order processes.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

Gross Sales Continue to Increase

Gross sales in state and contract liquor stores increased 64 percent between 1996 and 2005. The number of bottles sold increased by 26 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 four percent annually during the next decade. These sales increases will produce more than $3 billion in revenue for the state by 2015.

72% Gross Sales Increase 1996-2005



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.
- First new stores in 23 years.
- Improved in-store merchandising.
- Population increases.

Business Operations

State Population Growth

The state's population, which grew rapidly during the 1980s and 1990s, is expected to continue to climb through 2015.

Total population increased from four million to nearly six million between 1975 and 1995. In 2005, the state's population was 6.3 million.

Per-capital consumption of alcohol during most of this period has remained relatively constant.

Per-capita consumption dropped significantly beginning in the mid-1980s, when tougher DUI laws were enacted and states raised the drinking age to 21. Increased health consciousness and changing social attitudes have worked to keep consumption levels constant.

Revenue projection 2005-2014*

2006	$270 Million
2007	281
2008	293
2009	305
2010	317
2011	330
2012	343
2013	357
2014	371
Total : $3.127 billion in 10 years	

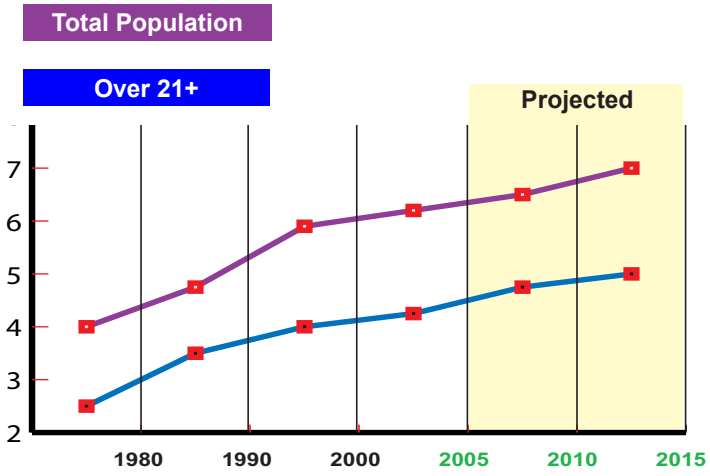
*Based on four percent increase

Revenue Increasing

Revenue returned to the state from liquor sales and other taxes and fees associated with alcohol has continued to increase substantially in recent years. Between 1996 and 2005 revenue grew by more than 63 percent.

Revenue returned to the state comes from state taxes on liquor, beer and wine, state-imposed surcharges, licensing fees, and other sources such as lottery sales, tobacco seizures and penalties. Between 1933 and 2005, the Liquor Control Board returned more than $4 billion to the state in total revenue.

State Population Growth



Sunday Sales Pilot Project

The 2005 Legislature approved a pilot program to open 20 state stores from Noon to 5 p.m. Sundays during 2005 and 2006. Gross sales are expected to increase by $3.87 million in Fiscal Year 2006 and $5.68 million Fiscal Year 2007 as a result of this program.

The pilot program will also compare the expense of opening stores on Sunday to the amount of additional sales generated. A final report on the project is due to the Legislature on January 31, 2007.

Sunday Sales Program Overview

- 20 state stores in pilot program.
- $1.43 million investment.
- Open Noon to 5 p.m. on Sunday.
- Projected sales is $9.55 million.
- More than 30 contract stores are open on Sunday.

Sunday Store Characteristics

- In the state's most populated areas.
- Have the greatest Sunday revenue potential.
- In high-density population areas.
- Near shopping centers or other businesses open on Sunday.

Store Performance Pilot Program

A pilot program is being conducted this biennium to determine the optimal level of store staffing. The 2005 Legislature approved 26 new FTE positions to increase the number of hours available to operate state liquor stores. Additional funding also was provided to hire two retail business analysts and one in-store merchandising manager.

One full-time store employee sells, on average, 53,000 bottles of product in a year. In control systems similar to Washington's Virginia and Pennsylvania employees sell far fewer bottles per year. Yet these systems produce very high levels of revenue.

Increasing the number of employee hours should enable LCB employees to serve customers more effectively. This should result in higher gross sales figures. Improved in-store merchandising and statistical analysis also should produce greater operating efficiency.

Advantages of Additional Store Hours

- Employees available to answer customer questions.
- Employees with advanced product knowledge.
- More timely stock replenishment.
- More effective product displays.
- Reduced customer wait times at cash registers.

Store Performance Program Overview

- $2.74 million appropriated.
- 26 FTEs for store hours.
- 49 stores receive new hours.
- Two new retail budget analysts.
- $9.26 million in new revenue forecast.

Other Retail Improvements

In 2004 and 2005, new point-of-sale hardware and software were installed in all state stores. The new equipment is improving sales transactions and accounting procedures. In FY 2006 a new Wireless Area Network will provide faster credit card processing.

In addition, a new video security system is installed in all state stores. The new system provides a deterrence to robbery and shoplifting, ensures greater store inventory accountability and assists local law enforcement investigating incidents that may occur in or around the stores.

Distribution Center

- 150,000 square-foot warehouse in Seattle.
- 86 employees.
- Automated material handling system implemented in 2002.
- Receives and ships more than 17,000 cases per day.
- Supplies liquor for more than 4,000 licensed restaurants.
- Stocks more than 1,900 products.

DC Expansion Project

The Liquor Control Board began a 62,000-square-foot expansion of the Seattle Distribution Center. In 2005 the Legislature approved more than $20 million in revenue for improvements to help the facility meet supply and demand generated by increased sales.

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

Distribution Center Timeline

A/E Consultant Work Completed
July-September 2005
RFP Issued/Contractor Selected
September-December 2005
Construction
January 2006-December 2007

Business Operations

Distribution Center Improvement Details
• Expansion adds 62,000 square feet.
• New size: 211,000 square feet.
• Increases daily shipping capacity to 32,000 cases.
• Meets long-term growth forecast to 2018.
• Increases storage capacity to 40 percent.
• New Pick Module and Pick Module Conveyor.
• 45 additional deck lanes.
• New turret truck.
• System software upgrade.
Total Project Cost $20.5 Million Financed by continuing existing $0.20 per-liter surcharge on spirits and through legislative appropriation.

The Distribution Center in Seattle supplies product to 161 state and 154 contract liquor stores. This state-of-the-art warehouse makes use of an automated material handling system to store and sort orders prior to shipping. More than 80 deck lanes are used to supply high-demand product.

Purchasing Services

Product Selection
Research trends and recommend products for listing and de-listing that best reflect the current demand of the marketplace.

Merchandising Strategies
Ensures a pleasant shopping experience for WSLCB customers by improving store design and product display.

Supply Management
Manages multiple tasks associated with the efficient supply of products from our suppliers through our distribution center and to the consumer via our retail store operations.

Consumer/Industry Relations
Works with industry representatives and customers to stay informed about trends and concerns.

Recent Initiatives
Shelf Management Project with Distillers Representatives Association of Washington reset state store shelves by brand and product type.

Wine Merchandising Program providing new product displays, increased customer information and better-informed employees.

Performance Measures

- Product Category Trends
- Product Quality
- Promotional Effectiveness
- Supplier Performance
- Product Availability
- Inventory Turns

Quick Facts

- 2,000 SKUs procured
- 300 suppliers managed
- $287 million in product expenditures
- 12-member team

Licensing and Regulation Division

Licensing issues liquor licenses and permits for more than 14,000 qualified retail and non-retail businesses. Forty-three employees, including license investigators and specialists:

- Determine if new and current businesses are qualified to hold a liquor license.
- Regulate the production 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 4,336 license applications in FY 2005.

- 2,266 new applications.
- 1,425 license assumptions.
- 375 changes in status.

The division also implemented a new license pre-approval process, which enabled more than 1,000 businesses to open an average of three weeks early.

Improvements making it easier to post prices and to use the division's beer/wine labeling systems were implemented.

Fiscal Year	1999	2000	2001	2002	2003	2004	2005
Licensees (total)	**12,141**	**12,257**	**12,515**	**12,619**	**13,184**	**13,530**	**14,264**
Retail Licensees	11,195	11,244	11337	11,453	11,791	12,121	12,331
Grocery Stores	4,459	4,539	4,576	4,577	4,651	4,699	4814
Spirits/Beer/Wine Restaurants, Clubs, Sports/ Entertainment	3,373	3,493	3,525	3,832	3,980	4,104	4276
Beer & Wine Restaurants	2,255	2,248	2,408	2,230	2,377	2,506	2602
Taverns	985	903	787	618	559	580	396
Bed & Breakfast, Serve Employees & Guests, Non-Profit Arts Organization, and Motel licenses	61	61	41	196	244	232	243
Non-Retail Licensees'	946	1,013	1,178	1,166	1,393	1,409	1690
Wineries	127	248	248	214	259	360	353
Breweries	94	91	91	82	85	86	84
Distributors and Importers	129	153	153	140	241	253	183
Certificate of Approval Out of State Breweries and Wineries	553	624	624	685	729	766	960
Bonded Wine Warehouses, Distillery Licences, Liquor Manufacturers, Wine Growers, CCI and Ship Handlers	43	62	62	45	79	61	110
Applications Processed	3,304	2,932	2,772	3,251	3,456	3,911	4336
Applications Processed (Retail)	3,240	2,825	2,669	3,123	3,267	3,810	3616
Applications Processed (Non-Retail)	64	107	103	128	189	101	720

Enforcement and Education

Enforcement and Education Division

The Enforcement and Education Division consists of 103 employees, with 86 commissioned officers and a support staff of 17. The division is responsible for enforcing liquor and tobacco laws statewide. Officers also provide training to licensees and for local law enforcement agencies.

All division employees strive to deliver a high degree of technical proficiency in a professional and business-like manner. Staff seek the best solution for every problem they encounter. Teamwork and a "can-do" attitude help the division's employees achieve a high level of service and effectiveness.

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 an 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.

FY 2005 Staffing Chart

103 staff

1	Chief
1	Assistant Chief
1	Tobacco Tax Manager
1	Program Managers
4	Regional Managers
14	Supervisors
65	Liquor & Tobacco Enforcement Officers
13	Support Staff
3	Investigative Aides

All Liquor Enforcement 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.

Liquor and Tobacco Enforcement Officers are assigned to specific licensees in their service areas.

Regional Enforcement Offices

Region 1 – Southwest Washington
Regional Office: Olympia
Field Offices: Vancouver, Tacoma, Bremerton
3,629 licensees / 14 enforcement officers
Region 2 – Seattle
Seattle Regional
3,514 licensees / 18 enforcement officers

Region 3 – Northwest
Regional Office: Everett
Field Office: Bellingham
2,149 licensees / 8 enforcement officers
Region 4 – Central and Eastern
Regional Office: Spokane
Field Offices: Yakima, Kennewick and Wenatchee
2,773 licensees / 11 enforcement officers

Officers regularly visit licensees to:

- Check for proper signage and procedures.
- Make sure facilities match operating plans.
- Check for over-service, service-to-minors, disorderly conduct and other violations.

Tobacco Enforcement
A 20-member tobacco tax enforcement unit:

- Works with federal and local authorities to investigate the illegal shipment of untaxed cigarettes into Washington.
- Conducts tax investigations relative to other Tobacco Products (OTP). More than $7 million in unpaid OTP taxes have been identified.

Compliance Checks
Compliance checks are one of the most effective ways to ensure that business selling alcohol and tobacco are operating within the limits of state law. In recent years, the division has increased the number of alcohol and tobacco compliance checks being conducted. Correspondingly, compliance rates have risen.

Statewide Liquor Compliance Rate

Year	Checks Conducted	Sales	Compliance Rate
2005	6,804	1,060	84.4%
2004	6,492	1,086	83.0%
2003	5,140	977	81.0%
2002	2,980	579	81.0%
2001	1,716	424	75.0%

Statewide Tobacco Compliance Rate

Year	Checks Conducted	Sales	Compliance Rate
2005	2938	252	91.0%
2004	2963	299	90.0%
2003	3775	447	88.0%
2002	2,508	231	91.0%
2001	2,151	236	89.0%

Liquor Enforcement officers visit a licensee in Seattle.

Community Policing
Community policing, a high priority for the division, emphasizes a planned and coordinated approach to alcohol-related issues.

Working with partners in local law enforcement, social service agencies, the schools and other community-based organizations, the Enforcement and Education Division:

- Identifies, prioritizes and solves problems related to liquor violations.
- Educates and trains problem licensees.
- Enforces underage drinking laws.
- Participates in community-based education and prevention efforts.
- Helps develop community action plans.

DUI Reduction Projects
By collecting data from those arrested for DUI, officers identify licensees who may be over-serving. Officers conduct site visits to promote changes in licensee service practices. Most projects track activity over a six-month period.

Results
In 2005, DUI Reduction Projects identified and monitored 124 licensees. Of these, 86 had a 10 percent or greater reduction in the number of DUI referrals.

Sixty-nine had a five percent or greater reduction in average BAC levels and 58 reduced the number of referrals and BAC levels.

Reducing Underage Drinking (RUaD) Community-Based Partnerships
Working with the Division of Alcohol and Substance Abuse, officers provide support to RUaD coalitions statewide. Officers provide technical assistance, training, and enforcement activities aimed reducing youth access to alcohol.

Officers have participated in eight partnerships in the Spokane, Whitman, Yakima, Benton/Franklin, Chelan, Grays Harbor, Whatcom, and King Counties. Funding is provided through the OJJDP block grants.

Education Projects
A videotape "***Underage? Don't Ask Us to Sell You Alcohol or Tobacco"***, is available in Korean with English subtitles. It provides licensees and their employees with the latest tools and information to properly check identification of customers.

A federal grant from the Office of Juvenile Justice and Delinquency Prevention (OJJDP) funded the project.

The Licensing and Regulation Division partnered with the Washington Korean American Grocers Association to produce the tape through the Washington State Department of Information Services.

Scene from "Underage?" Don't Ask . . ." videotape

Illustrations like the one above are used in training sessions to help store operators, clerks and others involved in the sale of alcohol know which forms of identification are acceptable. The Enforcement and Education Division also distributes signs with a list of acceptable identification for posting next to checkout stands.

Corridor Traffic Safety Projects (CTSP)
Officers help local communities increase traffic safety through roll-call training, licensee briefings, compliance checks, premises checks, and undercover operations.

In 2005, officers worked on projects in Clark, Pierce, Kitsap, Skamania, Kittitas, Spokane, Adams, and Skagit Counties. Funding is through the Washington Traffic Safety Commission.

Digital Licensee Training
A new licensee briefing is available online and via Compact Disc. This enables new licensees to study state liquor laws at their own pace without having to attend a briefing. The CD briefing covers all classes of licenses.

License applicants can access this training tool by contacting their local liquor law enforcement office to coordinate training with the officer. The CD briefing is also available in Spanish and is scheduled for Korean language translation in 2006.

Marks of Excellence

Achievements

Retail Services

- Long-range business planning.
- Store profitability strategies.
- Inventory management.
- Accounting systems.
- New store development.
- Store relocation/renovation.
- In-store merchandising strategies.

Completed upgrade of point-of-sale equipment in 161 state stores; reduced credit card processing times by an average of 20 seconds.

Opened two new stores in Vancouver. Total annual sales at the new stores exceeded $2.7 million in their first year.

Opened 20 state stores from noon to 5 p.m. Sundays. Project on track to generate $3.87 million in additional sales in 2006.

Increased store hours by 26 FTEs in 49 state stores.

Distribution Center

- 150,000 square-foot warehouse in Seattle.
- Supplying product to all state and contract stores.
- Handling than 5 million cases annually.
- Shipping and receiving more than 18,000 cases per day.
- Meeting demands in high-volume periods.
- Maintaining workplace safety emphasis.
- Ensuring supplier accountability.
- Maintaining control over 1,900 products.

Improved scheduling processes reduced inbound carrier no-show performance by 55 %.

Installed 45 additional single-product deck lanes for fastest moving product. This helped achieve an average 95% fill rate during the holiday build-up period.

A 12-employee workgroup was formed as a "Task Team" to address Culture Change by developing strategies to improve interpersonal relations and the work environment.

Reduced employee grievances.

- 37 in first six months of 2005.
- 3 in second six months of 2005.

Purchasing Services

- Purchasing Services
- Product selection.
- Product listing, de-listing.
- Special order fulfillment.
- Merchandising strategies.
- Supply and inventory management.
- Consumer and industry relations.

Organized and managed a major shelf display realignment in all state stores with the assistance of Retail Services and the Distillers Representatives Association of Washington (DRAW).

Developed a comprehensive wine strategy to guide the procurement and sale of wine in state stores.

Marks of Excellence

	Achievements
Licensing & Regulation • On-and off-premise licensing services. • Manufacture, Importation and Wholesale (MIW) licensing services. • Licensing education. • Services for non-English speakers. • Mandatory Alcohol Server Training (MAST). • Oversight of state's wineries and breweries.	Processed a record 4,336 license applications. • 2,266 new applications. • 1,425 license assumptions. • 375 changes in status.
	New licensing pre-approval process cut licensing time an average of three weeks for more than 1,000 new licensees.
	Licensed 400 new out-of-state authorized representatives.
	Updated agency rules on: • Applying for a liquor license. • Contesting license applications and renewals. • Special occasion licenses.
Policy, Legislative, Media Relations • New and revised laws / rules. • Agency policy development. • Agency communications. • Public records requests. • Education / awareness programs.	Helped gain approval for $37 million in legislative appropriations.
	Established new agency logo.
	Expanded employee intranet capability.
	Coordinated GMAP and policy development for 9 divisions.
	Continued agency rule updates.
	Provided support for Costco lawsuit.
Enforcement and Education • Front-line presence for public safety • Compliance checks for on, and off premise licensees • Licensee consultation / education. • Other Tobacco Product enforcement.	Conducted 6,808 alcohol compliance checks. Raised alcohol compliance rate to 84.4 percent. Raised tobacco compliance rate to 91 percent.
	Identified $7 million in unpaid Other Tobacco Product (OTP) taxes.
	Produced a comprehensive set of training CDs for 14,000 liquor licensees.

Financial Services

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

Achievements

Developed 19 new financial reports to improve store accounting processes: sales, transfers, inventory, Lottery claims, and NSF bank processes.

Designed and implemented rapid invoice processing system, saving the agency more than $80,000. Program won Teamwork Incentive Program award from the Productivity Board.

New Risk Management practices related to tort claim review resulted in a $328,000 reduction in our self insurance premium over a 2 year period.

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.

A new high-speed Wide Area Network will reduce average state store credit card processing times to 5 seconds.

A major upgrade to the mainframe computing system will provide a stable and supportable platform for the next five years.

The Information Technology Infrastructure Library (ITIL) best practices are being used to streamline IT service delivery and support.

Human Resources

- Recruitment assistance.
- Classification and compensation.
- Policy development.
- Employee Safety.
- Employee Development and Training.
- Performance Management.

Worked to ensure the successful transition to a new personnel/payroll management system.

Developed a Labor Relations Strategy and assisted in the negotiation of two labor contracts covering 1,000 employees.

Led a new focus on workplace safety that resulted in reducing the costs of workplace injuries claims by 50 percent.

Income and Expenses FY 2005

Income

Gross Liquor Sales	$ 647.3 million
Beer Taxes	$ 39.6 million
Wine Taxes	$ 17.5 million
License Fees	$ 10.4 million
Other*	$ 0.3 million
Total Income	**$ 715.1 million**

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

Expenses/Distributions

Cost of Product	$ 305.4 million
Product Discounts	$ 46.5 million
Sub - Total Product	**$ 351.9 million**

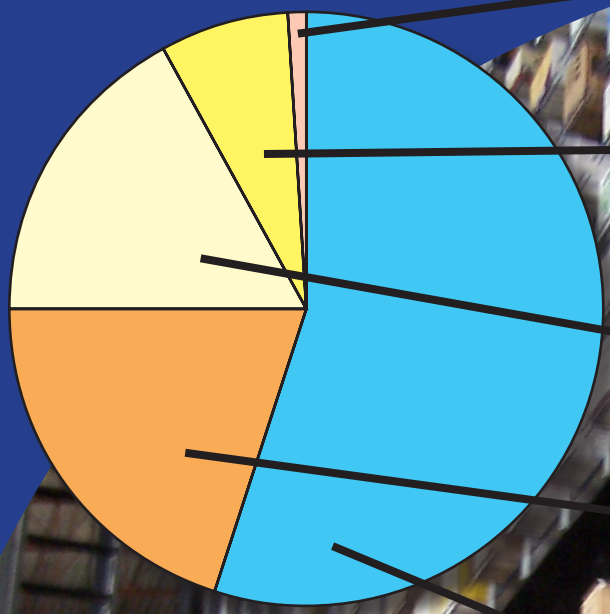
Operating Expenses

Retail/Purchasing/DC	$ 55.5 million
Licensing/Enforcement	$ 12.0 million
General	$ 19.9 million
Operating Reserve	$ 12.7 million
Total Operating	$ 100.1 million

Distributions

Returned to the State	$ 263.1 million
Total Expenses/Distributions	**$ 715.1 million**

Revenue Distribution Chart

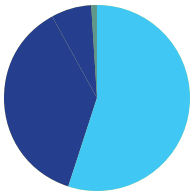


$263 million returned in FY 2005

The Washington State Liquor Control Board returned $4 billion to the state between 1934 and 2005. The LCB is expected to return $3 billion to the state in the next decade.

Revenue Distribution

General Fund

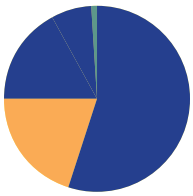


55%
$144.7 million

More than half of the money generated by the LCB 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 LCB 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.

Cities, Counties

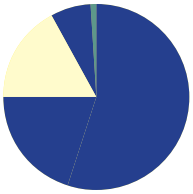


20%
$52.6 million

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.

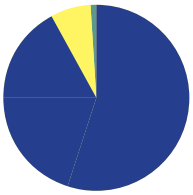
Health Services



17%
$44.7 million

Money generated through the LCB funds 20 percent 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. The more than $44.7 million generated in FY 2005 represented 7.5 percent of the state's total annual Health Services budget.

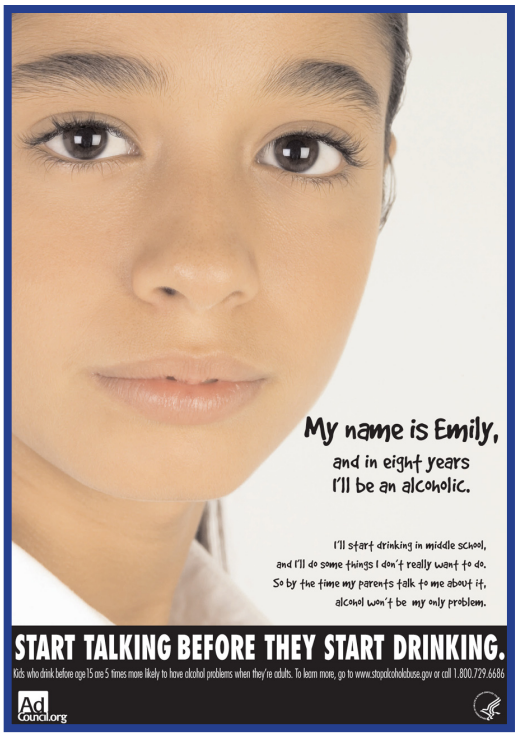
Education, Prevention



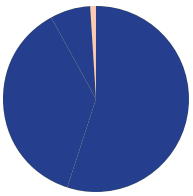
7%
$18.4 million

More than $11 million annually supports 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 representtation, multi-jurisdictional narcotics task forces and grants to community networks.

More than $6 million annually is sent to the Department of social and Health Services to fund 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.



Research



1%
$2.6 million

Money from wine and beer 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. There are more than 400 wineries and 30,000 acres of vineyards in the state.

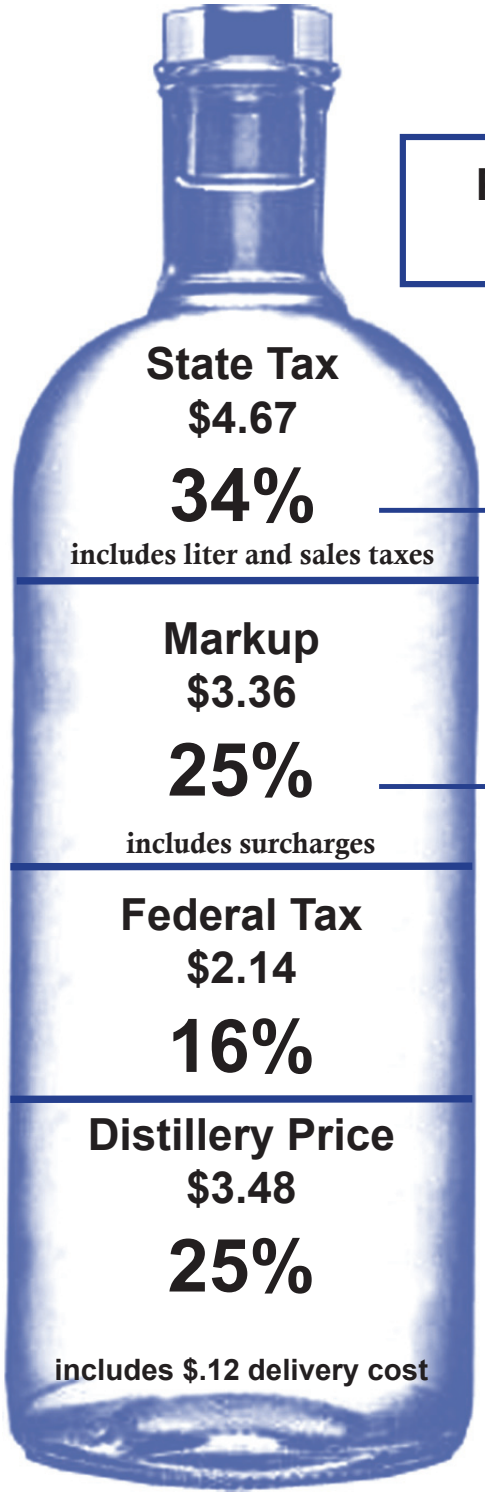
Research Distributions In Detail - $2.6 Million

Washington Wine Commission	$ 825,000
UW Alcohol and Drug Abuse Institute	$ 539,000
WSU Alcohol and Drug Abuse Research	$ 360,000
WSU Wine and Grape Research/Instruction	$ 248,000
Alcohol Awareness Program	$ 220,000
WSP State Toxicology Program	$ 199,000
Youth Tobacco Prevention	$ 209,000

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 $263 million annually for state programs and services.



Price at Register
$ 13.65

Goes To:

State General Fund	75 %
Health Services	14 %
Cities/Counties	10 %
Education/Prevention	01%

Goes To:

LCB Operations	70 %
State General Fund	15 %
Cities/Counties	15 %

Legislature Approves Record Level of Funding for WSLCB

The 2005 Legislature approved the following appropriations for the Washington State Liquor Control Board.

Distribution Center Expansion
Increased Size of Existing Building - $17.5 million
Paid for by a $0.20 per-liter surcharge on spirits used to fund the original DC construction. Construction to be completed by 2007. Provides capacity to handle growth through 2018.

Increase DC Shipping Capacity
Material Handling System Upgrades, Additional Staff - $3.2 million.
Provides 11.6 new FTEs for the DC staff the expanded facility. Improves warehouse system software and equipment.

Additional Store Hours
Increased Hours to Operate Stores - $2.74 million
Approves additional hours for store employees equal to 26 new FTEs (per year) for each year of the 2005-2007 biennium. The hours will be assigned to 49 stores to determine appropriate store staffing levels.

Sunday Sales Pilot
Open 20 State Stores on Sundays - $1,435,000
20 state stores are open from noon to 5 p.m. on Sundays. The LCB will monitor the outcome of these openings. Also implement an in-store merchandising plan, including point-of-sale advertising and brand merchandising.

Alcohol Education Program
Programs to Reduce Alcohol Abuse - $186,000
The Liquor Control Board will develop and support statewide programs to reduce underage drinking and alcohol abuse.

Enhance Store Network Connection
Wide Area Network - $2.23 million
Approves purchase and installation of a high-speed, always-on network to speed store transaction times and improve accounting processes.

Improved Core Technology
Equipment, Security, Staffing, - $2.26 million
Addresses critical operational gaps in the agency's technology infrastructure. New computer equipment, improvement of security measures and improvement to the core information technology infrastructure.

Agency-Wide Training
Mandated Training, Staff Skill Levels - $400,000
Assists the agency in complying with state-mandated training requirements, reducing risk, and improving staff knowledge/skills/service delivery. Will begin to address a training gap resulting from lack of training resources during the last four years.

Criminal Justice Training
All Liquor Enforcement Officers - $157,000
Approves the first phase of an eight-year plan to send 40 LEOs to the Basic Law Enforcement Academy (BLEA).

Early Redemption of DC Debt
Finance DC Expansion - $4.3 million
Allows the LCB to pay off the original debt early, saving the state $390,000 in interest expense and freeing up the surcharge for use in the DC expansion and related improvements.