



Washington State  
Liquor Control Board

# FY 2011 Annual Report

Promoting Public Safety  
Serving Communities  
Selling Responsibly

11



THIS DOOR TO REMAIN UNLOCKED DURING BUSINESS HOURS



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*Lt. Woodrow Perkins, Officer Judy Lewis, and Officer Greg Otteman of the WSLCB King County Enforcement Office.*

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# Message from the Board

Dear Citizens of Washington:

We are pleased to present to you the Washington State Liquor Control Board (WSLCB) Fiscal Year (FY) 2011 Annual Report. This report details the agency's key activities, performance and accomplishments between July 1, 2010 and June 30, 2011.

## Challenges to Control System

In November 2010, two initiatives – Initiative 1100 and 1105 – that would have privatized the sale and distribution of liquor and dismantled elements of the three-tier system were rejected by Washington voters.

However, in November 2011, voters approved Initiative 1183, which requires the WSLCB to cease state liquor store and liquor distribution operations by June 1, 2012. State liquor stores will close and the Seattle Distribution Center and its assets will be sold according to the timeline laid out in the initiative. Contract liquor stores - which are operated by small business owners - may continue to sell spirits. The private sector will be allowed to sell and distribute spirits with the proper liquor licenses. Several laws related to the three-tier system will also be changed, such as the repeal of uniform pricing for spirits and wine. Details of this transition will be reported in the FY 2012 Annual Report.

## FY 2011- Highlights

Additional information regarding the below highlights can be found throughout the report.

- **Safe and Responsible Sales.** State liquor stores continued to rank among the nation's highest for their 94.3 percent no-sales-to-minors compliance rate.
- **Revenue Generation.** The WSLCB returned \$425.7 million to fund essential state and local services such as education, health care, and emergency services. Dollar sales of spirits in Washington grew 2.2 percent and liter sales increased 2.4 percent. A budget-mandated markup increase helped drive the increase in gross spirits sales.
- **New Revenue.** The WSLCB raised \$15.8 million in additional revenue this biennium to help offset the state budget deficit. These revenue enhancements surpassed projections by \$4.7 million. Efforts to achieve this new revenue included opening new stores, additional Sunday Sales stores, and opening most state liquor stores on major holidays.
- **Continuous Improvement.** The agency continues to strive for continuous quality improvement using the Washington State Quality Award (WSQA) principles.
- **Tribal Relations.** The Memorandum of Agreement template that was created in FY 2010 to address the shared regulation of liquor sales and service was used for the first time, with the WSLCB and the Kalispel Tribe reaching an agreement.
- **Alcohol Energy Drinks.** Due to growing health concerns, in November 2010 the WSLCB created emergency rules banning the sale of premixed alcohol energy drinks in Washington. The permanent rules went into effect in April 2011.

The Board and its employees are proud of the public safety and financial contributions we make to the citizens of Washington. For more information regarding the WSLCB and current alcohol-related issues, please visit our website at [www.liq.wa.gov](http://www.liq.wa.gov).

Sincerely,



Sharon Foster  
Board Chair



Chris Marr  
Board Member



Ruthann Kurose  
Board Member

# Board/Administrative Director Biographies

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

## Sharon Foster

### – Board Chair

Sharon Foster, of Olympia, was appointed in August 2009. She is a retired self-employed contract lobbyist. Among her clients were the YMCA, the Washington Restaurant Association, the Council of Youth Agencies, and the California Wine Institute. She was the Washington YMCA Youth and Government Program Director for 10 years. She has been on the Heritage Park Board, overseers of the Capitol Lake park area, for 24 years. She has been involved with non-profit charitable organizations for 30 years and stays involved with local and state politics.



## Ruthann Kurose

### – Board Member

Ruthann Kurose, of Mercer Island, was appointed in January 2007. She serves on the KCTS Public Television Advisory Board, the Seattle Art Museum Community Advisory Board, and the Children's Campaign Fund Board. She served on the Bellevue College Board of Trustees for 12 years. Kurose has a long history of public service working on congressional legislative policy in Washington, D.C., and on economic development policy in the cities of Seattle and Tacoma.



## Chris Marr

### – Board Member

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



## Pat Kohler

### – Administrative Director

Pat Kohler was appointed as the WSLCB Administrative Director in January 2002. She has more than 28 years of management experience in audit, finance, risk management, procurement, distribution, and retail. At the WSLCB, she oversees the daily operations of the agency. She provides vision, direction and leadership to agency divisions, including retail, purchasing, enforcement, licensing, distribution, human resources, information technology and financial services.



# Vision, Mission, Goals and Values

## Vision

We strive to make Washington communities safe by being:

- A recognized **national leader** in alcohol and tobacco regulation, business operation and public safety;
- A **model employer** where employees grow and thrive; and
- A **collaborative partner** that establishes effective and lasting solutions.

## Mission

Contribute to the safety and financial stability of our communities by ensuring the responsible sale, and preventing the misuse of, alcohol and tobacco.

## Goals

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

Maximize financial return to the state and local government by running an efficient business operation.

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.

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

Promote a workplace that keeps employees safe and reduces agency liability through an integrated program of risk management, safety and wellness.

## Values

Respect for people

Professionalism and integrity

Honest and open communication

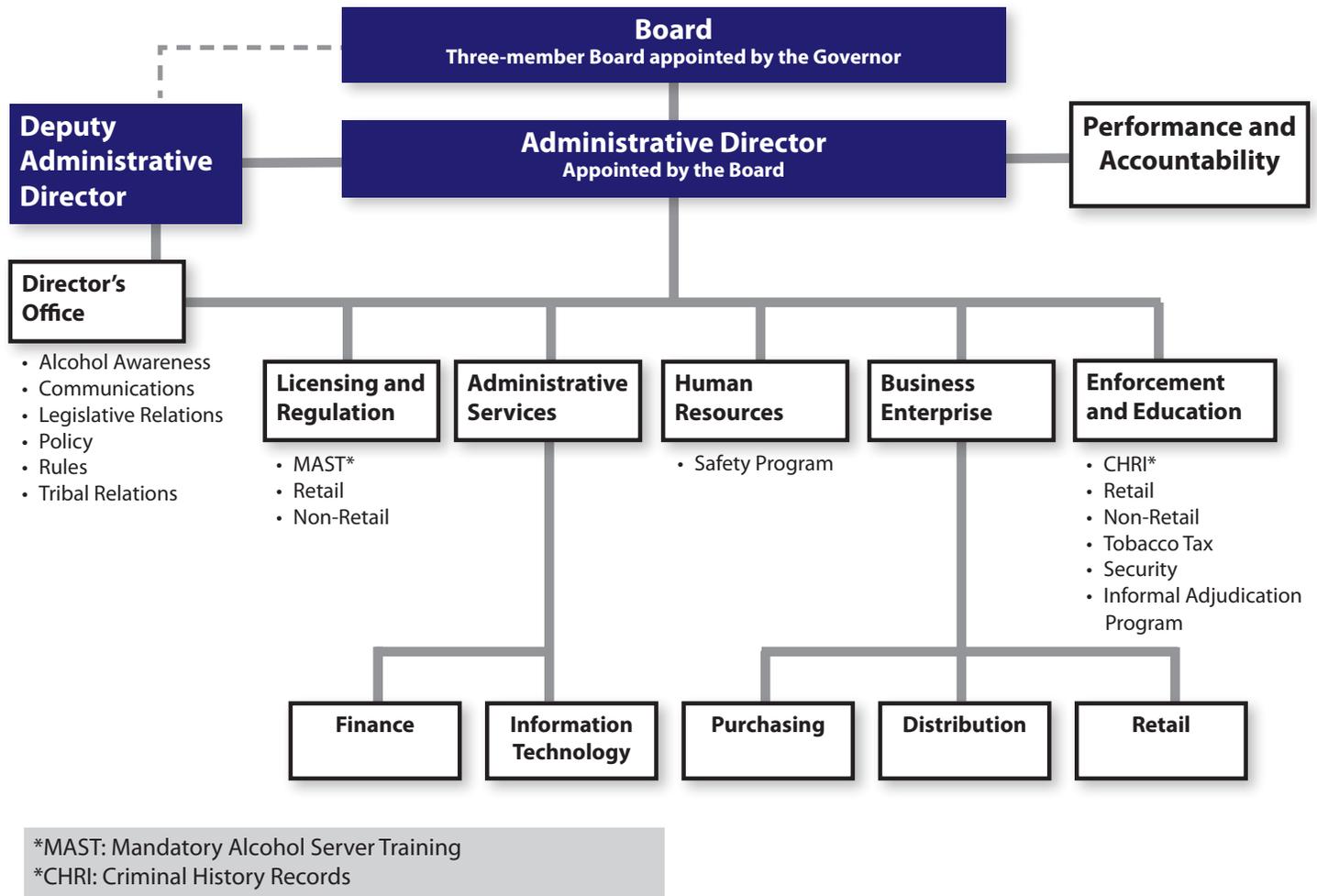
Internal and external accountability

Measurable and meaningful results

Public trust and stakeholder involvement



# Organizational Structure



# Control States

## WSLCB's Balanced Mission



### 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.

### 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 creating a state monopoly on the sale of some, or all, alcoholic beverages 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 are coordinated
- Advertising is prohibited
- More revenue returned to state

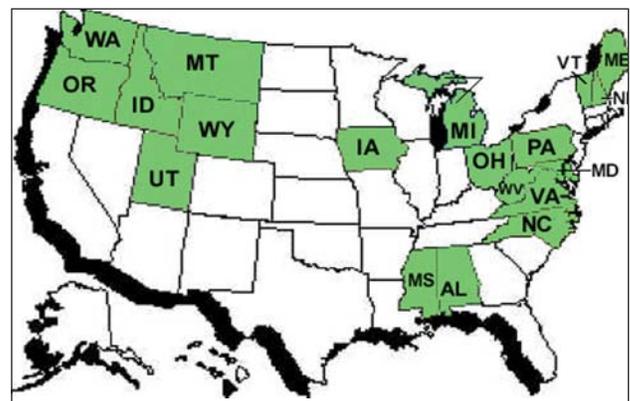
### Benefits of Control Systems

- Lower per-capita consumption
- Fewer alcohol-related deaths
- Fewer lost work days
- Fewer health care issues
- Safer roadways
- Greater variety of products

### Control System Facts

- Alcohol is taxed more in control states
- Lower consumption reduces the social, health, safety and economic costs from problems related to alcohol abuse
- There are 18 U.S. control states and two control jurisdictions in Maryland
- About one quarter of the U.S. population lives in control states
- Control states consume 5-20 percent less than open states
- 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, and the Montgomery and Worcester counties in Maryland.

## Business Enterprise Overview

The Business Enterprise team is made up of three agency divisions responsible for the controlled distribution of liquor: Purchasing, Distribution, and Retail.

The divisions were brought together under the Business Enterprise in 2006 to improve the controlled distribution functions of the WSLCB. It also allows for an integrated approach to assessing the needs and opportunities of the agency's business function and developing strategies to address those needs.

## Business Enterprise: Purchasing

### Product Selection

Purchasing continually monitors new product developments and key trends to ensure a product selection in liquor stores that balances choice and limited space availability.

Approximately 3,300 products - including spirits, wine and beer - are available to customers via a permanent listing in stores, one-time-only offerings of limited edition or seasonal products, and special order.

To be listed, a product must be considered by the WSLCB new listing committee, which meets monthly to make product recommendations based on a variety of factors, such as sales history, marketing plans, and performance trends. Listing recommendations are then approved by the Board.

Restaurants and individuals can place special orders of product by the case through liquor stores, and Purchasing procures the product. Purchasing processes an average of 1,632 special orders each month. Special orders generated \$6.8 million in gross sales in FY 2011, a 33 percent increase from FY 2010.

### Product Trends

Whiskey and vodka continued to be the state's largest categories. The biggest product trend in FY 2011 was the meteoric growth of dessert-style flavored vodkas, and many of the new products approved by the Board supported this trend.

### Product Merchandising

Purchasing ensures that products are arranged



*Approximately 3,300 products are available to customers via permanent listing in stores, one-time-only offerings and special order.*

### Purchasing At-A-Glance

|   |
|---|
| Procured over 3,300 Stock Keeping Units (SKU) |
| Managed more than 310 suppliers               |
| \$367 million in product purchases            |
| 14 team members                               |

on the shelf based on industry standard principles, and works with suppliers to create effective floor displays. Suppliers also create larger themed displays using materials such as sleds and Tiki huts, and sometimes include a partnership with a charity.

### Seasonal Promotions

Purchasing partners with stores and suppliers on seasonal promotions such as the Summer Spirit Celebration, Washington Wine Month and the winter holidays. Stores put up decorations and Purchasing brings in unique products relevant to the season.

### Supply Management

Purchasing works closely with suppliers to ensure the efficient supply of products to stores. The Supplier Scorecard is one of the key tools to help liquor suppliers meet established performance targets by clearly defining business expectations and providing timely feedback. In its fourth year, the scorecard continues to drive supplier performance improvements.

# Business Enterprise - Purchasing

## Supplier Social Responsibility Survey

Social responsibility in the alcohol beverage industry is about the prevention of underage drinking and overconsumption, as well as efforts to make a company more environmentally friendly.

The WSLCB created the Supplier Social Responsibility Survey in FY 2009 to better understand and encourage suppliers' activities in those areas.

In FY 2011, Purchasing continued to use the survey results to recognize best in class suppliers, and as a consideration in making business decisions, such as product listings. All suppliers must complete a survey before having a product listed. To date, 144 surveys have been submitted and evaluated.

## Growing Craft Distillery Industry

Purchasing works closely with and supports the members of the burgeoning Washington craft distillery industry. The WSLCB carries 29 of these products - such as whiskey, vodka, and gin - in liquor stores.

Purchasing hosted the first Craft Distillery Forum in February 2011 to educate new and potential craft distilleries about the listing process, licensing requirements and liquor laws.

At the close of FY 2011, 35 craft distilleries were licensed in the state, up from 20 at the close of FY 2010.



*Courtesy: Woodinville Whiskey Co.*

*The Washington craft distillery industry continues to grow.*

## Stakeholder Relations

Purchasing works closely with stakeholders, including liquor industry members through the Distillery Representatives Association of Washington (DRAW), to monitor relevant trends, address concerns, and ensure operational strategies are coordinated.

The Wine Advisory Committee, comprised of private citizens, provides valuable feedback in the wine product selection process.

The Washington wine industry continues to grow, with 739 in-state wineries licensed in FY 2011. Washington is the second largest wine producing state in the nation after California.



*Suppliers create unique displays for liquor stores.*

# Business Enterprise - Distribution



*The Distribution Center is located in Seattle.*

## Business Enterprise: Distribution

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

### Distribution Center At-A-Glance

|   |
|---|
| 220,000 square-foot warehouse in Seattle  |
| 88 employees  |
| Automated material handling system implemented in 2002  |
| Capacity to ship up to 22,000 cases per day   |
| Supplies liquor for more than 4,800 licensed restaurants and nightclubs                           |
| Stocks approximately 3,300 products (permanent listings, one-time-only offerings, special orders) |

### DC Automation Upgrades

A portion of the DC's sortation system was upgraded in January 2011. The replacement of the carousel sorter (control panel) that assigns cases to the 14 automated carousels allowed for a more stable distribution operation for the rest of the year.

In FY 2012, Distribution plans to upgrade the scanner system and the inbound sorter, which directs cases to the carousels or high velocity deck lane storage.

### Back-to-Work Program

Distribution created a new back-to-work program that allows employees with an on-the-job injury to hold a modified position with the approval of a physician.

### Contingency Plan

As part of the agency's Continuity of Operations Plan (COOP), Distribution staff continued to develop a comprehensive contingency plan to ensure continued service and the ability to get products to stores in the event of long-term interruptions at the automated warehouse. The plan focuses on getting the top 400 items to stores, including ways to pull, store and ship products.

In FY 2011, Distribution, working with union partners, tested ways to partner with a third party logistics firm to help the agency expand beyond the top 400 products in the event of an interruption.

### Training and Education Day

Distribution employees learned valuable information during the Training and Education Day, held in January 2011. Booths focused on employee safety, while activities allowed employees to practice skills such as forklift operations.



*Process Improvement Manager Smriti Batra, Receiving Supervisor Aaron Lowe, and Director of Distribution Bill Berni at the Distribution Center.*

# Business Enterprise - Retail

## Business Enterprise: Retail

Retail operates 166 state liquor stores in high-population areas and closely regulates the operation of 162 contract liquor stores run by small business owners that serve mostly rural areas.

The division monitors population trends and store performance to ensure adequate liquor store coverage for Washington's 21 and older population. Store locations are selected based on population, demographics, and proximity to other liquor stores.

Designated state and contract liquor stores supply all spirits sold in licensed restaurants in the state. Stores also accept special order requests from restaurants and customers.

| <b>Retail At-A-Glance</b>  |
|--|
| 166 state stores and 162 contract stores                             |
| Average state store size: 5,000 square-feet                          |
| Average state store annual sales: \$4.2 million                      |
| Average state store return to state: \$1.5 million                   |
| Average number of employees per state store: 4 (full- and part-time) |
| Legal sale compliance rate, state stores: 94.3%                      |
| Average contract store annual sales: \$859,087                       |
| Average contract store return to state: \$325,355                    |
| Legal sale compliance rate, contract stores: 93.3%                   |

More than 900 full- and-part time clerks, assistant managers and managers operate the state stores. The 12 district managers oversee state and contract liquor stores, and provide technical and merchandising support to 13 tribal and 30 military stores.

Store employees carry out the division's "Serving Communities, Selling Responsibly" motto through their customer service efforts, extensive product knowledge and focus on preventing sales to minors and intoxicated customers.

### State Population Growth

The total state population increased from 3.6 million in 1975 to 6.77 million in 2011, according to the Office of Financial Management. The 21 and

older population is expected to increase to 5.53 million by 2021, up from 4.9 million in 2011.

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

### Compliance Rates

Retail's No. 1 priority is to sell alcohol responsibly and prevent sales to minors and apparently intoxicated persons. To determine no-sales-to-minors compliance rates at liquor stores and private businesses, the WSLCB Enforcement and Education Division conducts compliance checks using investigative aides ages 18 to 20 who attempt to purchase alcohol using their real ID.

Washington liquor stores have among the highest no-sales-to-minors compliance rates in the nation. State liquor stores have a rate of 94.3 percent, and contract stores have a rate of 93.3 percent. The private sector's compliance rate for on and off premises sales is 77.3 percent.

### Revenue Generating Projects

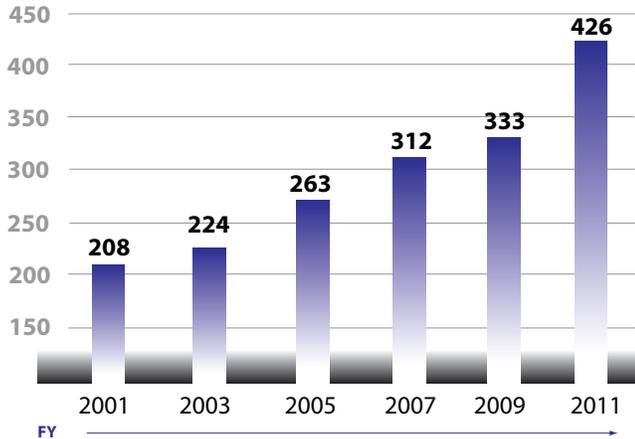
Based on Board recommendation, the 2009-11 operating budget directed the WSLCB to undertake several revenue generating projects over the course of the biennium. The projects generated \$15.8 million in net revenue, exceeding the projected net revenue of \$11.1 million.

*New stores:* The WSLCB opened five new state stores and eight new contract stores. The stores returned \$10.8 million in net revenue. The WSLCB will open two more contract stores in FY 2012 to bring the total to 10. A lack of qualified applicants delayed the opening of the two stores.

*Holiday hours:* Most state liquor stores are now open on Martin Luther King Jr. Day, Presidents Day, Memorial Day, Independence Day, Labor Day, and Veterans Day. This project generated \$3.2 million in net revenue over the biennium.

*Holiday mall stores:* The agency opened four holiday mall stores in four Western Washington malls in November and December 2009. The project generated \$746,731 in gross sales, and \$88,884 in net revenue after all expenses were calculated.

## Net Returned to the State/Local Government\*



\*nearest million

Due to the small return on investment and the short holiday season, the Board decided against opening holiday mall stores in FY 2011.

**Sunday sales:** An additional nine state stores were opened on Sundays, generating \$1.7 million in net revenue. There are now 58 state stores open on Sunday, with three of them open Sundays seasonally. In FY 2011, Sunday sales at state stores generated \$21 million in gross sales.

**Lottery Sales:** The WSLCB partners with Washington's Lottery to offer the full line of Lottery games in liquor stores, such as Scratch, Powerball and Mega Millions. Liquor stores generated \$7.5 million in gross sales for Lottery programs.

### Customer Survey Results

A December 2010 independent telephone survey showed most liquor store customers gave high marks for customer service, liquor store employee courtesy, product selection and store locations.

After Initiatives 1100 and 1105 were defeated, Gov. Gregoire directed the WSLCB to sponsor the survey to better understand the public's attitudes about the state system, as well as gauge their support for additional stores, new store models, standard hours, gift cards, and more.

#### Survey Highlights

- 89 percent gave store employees a grade of "A" or "B" for courtesy;

- 81 percent gave product selection a grade of "A" or "B";
- 87 percent gave convenience of the store's location a grade of "A" or "B"; and
- Two-thirds of customers said the state has the "right number" of stores.

### Customer Convenience Initiatives

The Board recommended several convenience ideas, which were adopted by the 2011 Legislature:

**Standardized state store hours:** Instead of varying hours, state stores will be open 10 a.m. to 9 p.m. Monday to Thursday, and 10 a.m. to 10 p.m. Friday and Saturday effective July 1, 2011.

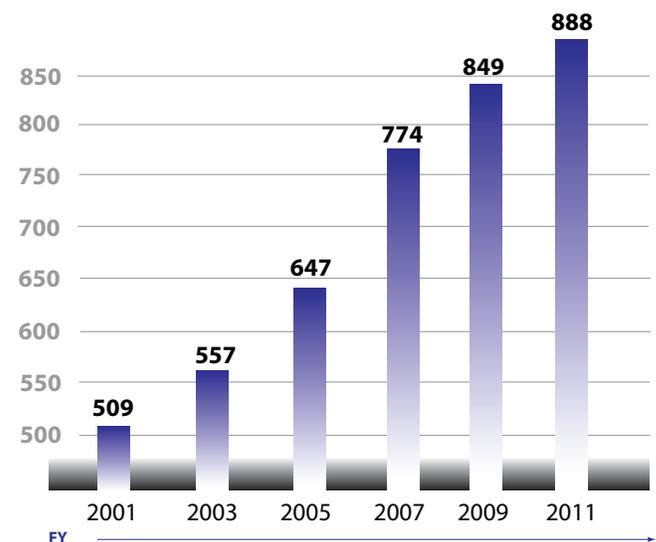
**New liquor stores:** The WSLCB will open six contract stores and two state stores.

**Two premier stores:** These stores will be larger than typical stores and offer standard selection plus unique and expanded premium products.

**Online ordering and delivery:** The agency will explore the potential for allowing licensees to place their orders online for pickup at the store as well as contracting with a third party for delivering to licensees.

**Spirits tasting pilot:** The WSLCB will implement a yearlong spirits tasting pilot in 30 state, contract and tribal liquor stores.

## 74% Gross Sales Increase 2001-2011



\*nearest million

# Licensing and Regulation

## Licensing and Regulation Division

The Licensing and Regulation Division issues liquor licenses and permits for 16,872 qualified businesses. The division has 38 employees, including license investigators and specialists who:

- 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 workers who serve alcohol. In FY 2011, 41,085 MAST permits were issued to liquor servers
- Processed special occasion license applications for 4,284 nonprofit organization events in FY 2011
- Processed 4,266 license applications in FY 2011



*Courtesy: Washington State Farmers Market Association*

*Farmers markets will participate in a yearlong beer and wine tasting pilot.*

| Fiscal Year  | 2005   | 2006   | 2007   | 2008   | 2009   | 2010   | 2011   |
|--|--------|--------|--------|--------|--------|--------|--------|
| <b>Licensees (total)</b>   | 14,021 | 14,604 | 15,477 | 15,444 | 15,838 | 16,501 | 16,872 |
| <b>Retail Licensees</b>  | 12,331 | 12,650 | 13,006 | 12,925 | 13,040 | 13,450 | 13,628 |
| Grocery Stores   | 4,814  | 4,909  | 4,957  | 5,026  | 5,041  | 5,275  | 5,397  |
| Nightclubs, Spirits/Beer/Wine Restaurants, Clubs, Sports/ Entertainment Facilities   | 4,276  | 4,439  | 4,617  | 4,683  | 4,676  | 4,745  | 4,888  |
| Beer & Wine Restaurants  | 2,602  | 2,633  | 2,859  | 2,764  | 2,726  | 2,825  | 2,676  |
| Taverns  | 396    | 342    | 300    | 243    | 225    | 219    | 214    |
| Bed & Breakfast, Serve Employees & Guests, Non-Profit Arts Organization, Hotels, Motels  | 243    | 327    | 273    | 209    | 372    | 386    | 453    |
| <b>Non-Retail Licensees</b>  | 1,690  | 1,954  | 2,471  | 2,519  | 2,798  | 3,051  | 3,244  |
| Wineries   | 353    | 437    | 515    | 562    | 620    | 686    | 739    |
| Breweries  | 84     | 81     | 100    | 102    | 115    | 127    | 151    |
| Distributors and Importers   | 183    | 186    | 204    | 183    | 205    | 224    | 219    |
| Certificate of Approval, Out-of-State Breweries and Wineries   | 960    | 1,192  | 1,339  | 1,230  | 1,305  | 1,388  | 1,422  |
| Bonded Wine Warehouses, Distilleries, Craft Distilleries, Liquor Manufacturers, Wine Growers, Interstate Common Carrier, Ships Chandler, Wine Shippers | 110    | 110    | 313    | 442    | 553    | 626    | 713    |
| <b>Applications Processed</b>  | 4,336  | 4,613  | 5,038  | 4,907  | 5,054  | 4,513  | 4,266  |

## Select Liquor License Types by Fiscal Year

| License Type                  | 2009  | 2010  | 2011  |
|-------------------------------|-------|-------|-------|
| Grocery Store                 | 4,642 | 4,843 | 4,835 |
| Snack Bar                     | 150   | 112   | 165   |
| Nightclub                     | -     | 13    | 44    |
| Spirits/Beer/Wine Restaurant  | 3,937 | 4,710 | 4,810 |
| Hotel                         | 104   | 120   | 125   |
| Sports/Entertainment Facility | 29    | 35    | 34    |
| Wine/Beer Restaurant          | 2,726 | 2,825 | 2,676 |
| Tavern                        | 225   | 219   | 214   |
| Winery                        | 620   | 686   | 739   |
| Brewery                       | 115   | 127   | 151   |
| Distributor & Importer        | 186   | 224   | 219   |
| Craft Distillery              | 7     | 20    | 35    |

### Online MAST Programs Available

The Board adopted rules in FY 2010 to allow online Mandatory Alcohol Server Training (MAST) programs starting in December 2010. Four providers were authorized in FY 2011 to offer online programs, with about 25 percent of servers using the online programs.

### Tribal Workgroup Outcomes

The WSLCB and 14 tribes created a Tribal Workgroup to address areas of mutual concern, such as the WSLCB liquor licensing process and requirements. Representatives met throughout FY 2009 and FY 2010 to develop government-to-government policy that determines how these matters are addressed.

The outcome of this workgroup was a Memorandum of Agreement template created to address the shared regulation of liquor sales and service. It was used for the first time in FY 2011, with the WSLCB and the Kalispel Indian Tribe reaching an agreement in June 2011.

### Farmers Market Tasting Pilot

The 2011 Legislature authorized a yearlong pilot program that allows wine and beer tastings at 10 farmers markets that have authorization from the

WSLCB to allow in-state wineries, breweries or microbreweries to sell bottled wine or beer at their market. Washington wineries and breweries with a farmers market endorsement from the WSLCB may offer the tastings.

The pilot runs from Sept. 1, 2011 to Nov. 1, 2012. As directed in Substitute House Bill 1172, which created the pilot, the markets were selected in a manner to ensure geographic representation.

The WSLCB will provide guidance and oversight for the pilot, and will submit a report on the pilot to the Legislature in December 2012.

### Alcohol Impact Areas

The cities of Spokane, Seattle and Tacoma operate mandatory Alcohol Impact Areas within their local jurisdictions. The city of Vancouver has successfully maintained 100 percent retailer compliance since it implemented a voluntary Alcohol Impact Area in 2007.

In 1999, rules were adopted to create a framework for communities to take action to mitigate problems with chronic public inebriation and illegal activities linked to the sale and consumption of alcohol.

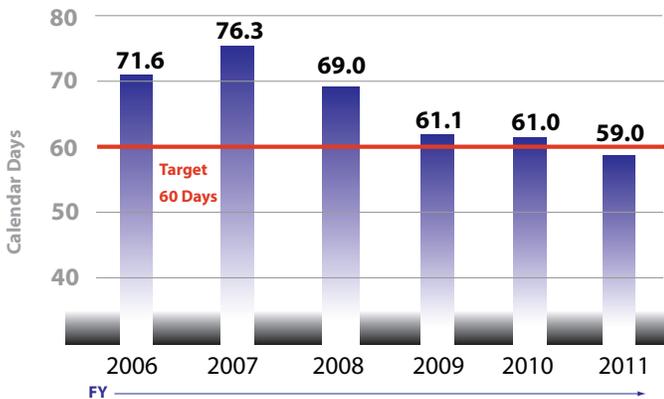
An Alcohol Impact Area is designated by geographical boundaries and must be adopted by ordinance of the government subdivision. Following the voluntary compliance efforts described in rule, the local jurisdiction can request Board recognition as a mandatory Alcohol Impact Area.

Following Board recognition the restrictions requested are applied, such as banning the off-premises sale of high-alcohol-content, low-cost products that are proven to be linked to chronic public inebriation within the Alcohol Impact Area boundaries.

### *Spokane's Banned Product List*

In March 2011, the Board approved the City of Spokane's request to add five products to its banned products list effective May 2011.

## Average Time to Process an Annual Liquor License Application



### Application Processing Time

The average time it takes liquor license investigators to process an annual liquor license has continued to decrease over the years. In FY 2011, the average processing time was 59 days, down from 76.3 days in FY 2007.

While there has been a decrease in application volume over the last few years, several elements contribute to processing times, such as time frames given for applicants to respond to document requests, deadline extensions, complexity of business models, and changes to ownership structures in large corporations that require multiple updates.

#### *Continuous Process Improvement*

Division employees continue to look for ways to improve processing times through continuous improvement to the Combined License Interview Process (CLIP), which was created in FY 2009. The CLIP process consists of quicker telephone interviews, corresponding with applicants via e-mail and making required forms and information available online.

In FY 2011, liquor license applicants were given shorter periods of time to respond to requests for additional or missing documents, leading to a quicker turnaround.

#### *Local Authority Notices*

Every time the WSLCB receives a new liquor license application, the local authority - such as the mayor or county commissioners - is notified.

The local authority has the option to object to the application as part of the licensing process.

The division in FY 2011 continued to use a process created in a FY 2009 and 2010 pilot that enabled the division to email new liquor license application notices to local authorities in the cities of Seattle, Spokane and Tacoma.

This has helped get the notices to the local authorities in a timely manner, and has reduced the amount of requests for an extension to respond to the notices.

### Grocery Store Tasting Endorsement

The 2010 Legislature created a new endorsement that allows grocery stores with retail space of more than 9,000 square-feet to offer beer and wine tastings. In FY 2011, 221 endorsements were issued to eligible grocery stores.

The legislation followed a yearlong pilot directed by the 2008 Legislature that allowed beer and wine tastings in 28 grocery stores from October 1, 2008 to September 30, 2009.



*The city of Seattle has two mandatory Alcohol Impact Areas - one in the North District and another in the Central District.*

## Enforcement and Education Division

The Enforcement and Education Division is responsible for enforcing state liquor and tobacco laws and regulations. Officers also provide education to licensees, communities, and local law enforcement agencies. Liquor and tobacco enforcement officers are limited-authority, and are commissioned law enforcement officers.

### Retail Enforcement

Retail Enforcement strives to protect and serve the public by ensuring legal and responsible sales of alcohol and tobacco at retail businesses.

Officers have arrest powers and carry out enforcement operations such as compliance checks, complaint investigations, technical assistance visits, premises checks, and undercover operations to ensure licensees are complying with state liquor and tobacco laws.

When a business violates a law, officers are empowered to issue warnings and administrative violation notices. Administrative violation notices can result in a fine, a temporary license suspension, or both. In cases of repeat violations, a license can be revoked by action of the Board. The Board may also impose an emergency suspension for significant public safety issues, resulting in a liquor license suspension of up to 180 days.

### Regional Retail Enforcement Offices\*

|  |
|--|
| <b>Region 1 – Southwest Washington</b>           |
| Regional Office: Tacoma                          |
| 3,971 Licensees / 14 Enforcement Officers        |
| <b>Region 2 – King County</b>                    |
| Regional Office: Tukwila                         |
| 4,649 Licensees / 15 Enforcement Officers        |
| <b>Region 3 – Northwest Washington</b>           |
| Regional Office: Mount Vernon                    |
| 2,174 Licensees / 7 Enforcement Officers         |
| <b>Region 4 – Central and Eastern Washington</b> |
| Regional Office: Spokane                         |
| 3,097 Licensees / 13 Enforcement Officers        |

*\*This chart does not include non-retail and tobacco tax officers, who cover the entire state.*

## FY 2011 Key Enforcement Activities

|  |
|--|
| 107,535 officer contacts   |
| 30,358 liquor premises checks  |
| 11,963 tobacco premises checks   |
| 5,191 complaint investigations   |
| 5,712 technical assistance visits                                      |
| 2,129 liquor compliance checks   |
| 1,802 tobacco compliance checks  |
| 3,162 violations issued  |
| 514 responsible sales training classes                                 |
| 131 online responsible sales classes<br>(Jan. 1 through June 30, 2011) |

Enforcement officers also provide licensees with written, in-person and online education on how to comply with liquor and tobacco laws, and assistance developing security plans and other site-specific strategies.

Officers support the liquor licensing process by posting public notices, handling liquor law briefings, and conducting final inspections of businesses prior to liquor license approval.

### Tobacco Tax Unit

The Tobacco Tax Unit, which includes 10 officers, enforces the tobacco tax laws of Washington State. The unit inspects cigarette and other tobacco product retailers, wholesalers and distributors, and investigate and halt illegal acquisition and shipments of cigarettes and other tobacco products by persons and businesses not licensed to sell them. The unit continues to conduct retail/wholesale tobacco inspections leading to the identification of unpaid taxes on other tobacco products.

The unit also maintains state and federal partnerships, educates wholesalers, distributors and retail licensees on tobacco laws, and works with Native American tribes on areas of mutual concern.

### Non-Retail Enforcement

Non-Retail Enforcement, which includes six officers, enforces state liquor laws and regulations that impact 3,244 non-retail licensees, including in-state and out-of-state entities that produce, import and distribute alcohol in the state.

# Enforcement and Education

## Top Three Violation Types in FY 2011

Violations can result in Administrative Violation Notices (AVNs) or warnings. There were 914 violations in the top three categories, with 541 AVNs issued resulting in fines or liquor license suspensions.

### Sales or service to minors

- 443 violations
- 400 AVNs issued
- 43 warnings issued

### Sales to apparently intoxicated persons

- 318 violations
- 96 AVNs issued
- 222 warnings issued

### Disorderly conduct

- 153 violations
- 45 AVNs issued
- 108 warnings issued

Officers educate licensees on responsible tax reporting and the distribution of liquor products to retailers and consumers. Officers also investigate price listing by manufacturers and distributors in regards to uniform pricing. Uniform pricing prevents the undercutting of competition.

The unit provided education on liquor laws during the first Craft Distillery Forum in February 2011, and the annual Suppliers Conference in April 2011 for liquor suppliers. Officers also worked with Licensing and Regulation Division to plan the first ever series of five Washington Wine Forums, scheduled for September 2011.

## WSLCB Security Officers

Seven WSLCB security officers monitor and provide 24-hour security for the Distribution Center and liquor stores.

## Areas of Focus in FY 2011

### Complaint investigations

Enforcement officers investigate complaints that are referred by law enforcement and the general public. The division has been working to improve its response to complaints; with a goal of closing complaints within a 60-day window. In Calendar

Year 2010, 18 percent of complaints were open 60 days or more. From January to June of 2011, 11 percent were open 60 days or more. This reduction is due to a standardized complaint policy, lieutenant oversight and prioritization, and initial contact tracking.

## Tobacco Compliance Checks

The division partnered with the Washington State Department of Health (DOH) and the United States Food and Drug Administration (FDA) to conduct tobacco compliance checks to prevent youth access to tobacco.

The WSLCB continued a contract with DOH to do random compliance checks using SYNAR requirements. The WSLCB was awarded a new contract with the FDA as part of a tobacco retail inspection pilot program based on new federal regulations. Washington was one of 15 states funded in the first year of the pilot program.

## Tobacco Retail License Approvals

The WSLCB began approving applications for retail, wholesale, and distributor cigarette and tobacco products licenses in July 2009 following the passage of SHB 1435. At the close of June 30, 2011, there were 6,436 cigarette and Other Tobacco Product retailer licensees, 162 wholesaler and distributor licensees, and 133 vending machine licensees, for a total of 6,731 licensees in the state.

## FY 2011 Staffing Chart

|     |                                |
|-----|--------------------------------|
| 108 | Staff                          |
| 1   | Chief                          |
| 1   | Deputy Chief                   |
| 5   | Captains                       |
| 14  | Lieutenants                    |
| 65  | Officers                       |
| 1   | Hearing Officer                |
| 1   | Business Management Analyst    |
| 1   | Professional Standards Officer |
| 1   | Program Manager                |
| 1   | Criminal Records Coordinator   |
| 7   | Support Staff                  |
| 3   | Investigative Aides            |
| 1   | DC/Store Security Supervisor   |
| 6   | DC/Store Security Guards       |

# Agency Marks of Excellence

## Business Enterprise - Purchasing

- Offer an excellent selection of products to satisfy a variety of customers
- Meet unique customer needs through special orders of products not regularly carried
- Create an interesting and informative shopping environment
- Partner with alcohol industry to drive business improvements
- Ensure product availability at the Distribution Center for shipment to stores

Continued multi-year effort to improve special order program. Staff streamlined the payment process, reduced internal processing time by 33 percent and supplier delivery time by 52 percent, and improved order tracking and reporting

Merchandised 10 new and remodeled stores, and expanded shelf space dedicated to spirits

Supported Washington craft distilleries by holding an education forum, carrying 29 products, and dedicating sections in new stores

Consistently maintained superior supplier performance by utilizing the Supplier Scorecard as a tool to identify and address areas of concern

## Business Enterprise - Distribution

- 220,000 square-foot warehouse in Seattle
- Supply product to state and contract stores
- Handle more than five million cases annually
- Capacity to ship 22,000 cases per day
- Meet demands in high-volume periods
- Maintain workplace safety emphasis
- Ensure supplier and carrier accountability
- Maintain control over 3,300 products

Tested ways to partner with a third party logistics firm in the event of an interruption to expand distribution beyond the top 400 products

Began implementing a new back-to-work program that allows employees with an on-the-job-injury to hold a modified position with the approval of a physician

Hosted the Training and Education Day with work-related seminars and activities geared toward improving job skills and employee safety

Improved order fill rate to 92.7 percent in FY 2011, up from 89.6 percent in FY 2010

## Business Enterprise - Retail

- Long-range business planning
- Store profitability strategies
- Inventory management
- Customer service
- New store development strategies
- Store relocation and renovation
- In-store merchandising strategies

State stores had a no-sales-to-minors compliance rate of 94.3 percent, and contract stores had a 93.3 percent rate

Implemented revenue-generating projects, including expanded Sunday sales, opening new stores, and opening most state stores on major holidays

Maintained product availability of 98 percent at state liquor stores

An independent telephone survey showed most liquor store customers gave high marks for customer service, liquor store employee courtesy, product selection and store locations

# Agency Marks of Excellence

## Licensing and Regulation

- Licensing services
- Technical assistance to licensees, applicants and the public
- Services for non-English speakers
- Mandatory Alcohol Server Training (MAST) program coordination
- Oversight of state's wineries, breweries and craft distilleries
- Administer Alcohol Impact Areas

Continued to reduce the average time it takes to process annual liquor license applications through process improvements. In FY 2011, the average time was 59 days, down from a high of 76.3 days in FY 2007

Implemented 2011 Legislation that authorizes a yearlong pilot program that allows wine and beer tastings at 10 farmers markets

Began authorizing providers of online Mandatory Alcohol Server Training (MAST) programs in December 2010

## Enforcement and Education

- Alcohol and tobacco enforcement
- Front-line presence for public safety
- Licensee education

Reduced the number of complaint investigations open 60 or more days from 18 percent to 11 percent

Partnered with the Department of Health and the U.S. Food and Drug Administration to conduct tobacco compliance checks to reduce youth access to tobacco

## Director's Office

- Oversee the implementation of laws/rules
- Agency policy development, GMAP, WSQA
- Agency communications
- Public records requests
- Education/awareness programs
- Agency-wide project management

Established the "Power of Parents: It's Your Influence" program sponsored by MADD to provide parents and caregivers the tools they need to talk to their kids about alcohol. Program providers will be trained in FY 2012

Drafted new rules banning the sale of premixed alcoholic energy drinks in Washington

Facilitated 14 agency GMAP sessions reviewing 31 topics of operational results; initiated quality self assessment for nine major divisions, including training for 20 internal quality examiners

## Admin. Services - Financial

- Budgeting/accounting/auditing
- Revenue forecasting
- Facilities maintenance
- Vehicle leasing
- Travel
- Contract services
- Risk management/loss prevention

Implemented a trash and recycle program at the headquarters building to reduce the agency's carbon footprint

Moved to 100 percent paperless earning statements and leave slips, saving \$11,500 from the cost of printing and mailing 3,000 pieces of mail per month

Achieved a seventh consecutive annual financial audit conducted by the State Auditor's Office without any findings for the agency

## Admin. Services - Info. Technology

- Deliver the right solutions to support the agency's strategic objections
- Deliver and manage agency information
- Secure and protect agency technical assets
- Provide access to agency business systems
- Operational technical support and assistance
- Provide access to technical training resources

Established the Agency Governance Council to govern agency project priorities

Worked with Communications to overhaul the agency website using Drupal, an open-source content-management based system, creating a new look and feel

Collaborated with Finance to save \$60,328 each fiscal year in telephone charges by eliminating unused telephone lines, consolidating cellular telephone accounts to one account with shared minutes, and streamlining the approval and payment process

## Income and Expenses FY 2011\*

\*Figures rounded to the nearest thousand

### Income

|                    |                   |
|--------------------|-------------------|
| Gross Liquor Sales | \$ 888.32 million |
| Beer Taxes         | \$ 80.61 million  |
| Wine Taxes         | \$ 22.97 million  |
| License Fees       | \$ 13.60 million  |
| Other*             | \$ 0.87 million   |

**Total Income** **\$1,006.37 million**

*\* Includes tobacco seizures, penalties and other income*

### Expenses/Distributions

#### Product Expenses

|                    |                   |
|--------------------|-------------------|
| Cost of Goods Sold | \$ 383.32 million |
| Product Discounts  | \$ 69.58 million  |

**Total Product Expenses** **\$ 452.90 million**

#### Operating Expenses

|                       |                  |
|-----------------------|------------------|
| Retail/Purchasing/DC  | \$ 90.71 million |
| Licensing/Enforcement | \$ 10.92 million |
| General               | \$ 19.16 million |
| Operating Reserve     | \$ 6.93 million  |

**Total Operating Expenses** **\$ 127.72 million**

#### Distributions

|  |                   |
|--|-------------------|
| Returned to the State/Local Government | \$ 425.75 million |
|--|-------------------|

**Total Expenses/Distributions** **\$1,006.37 million**

## Revenue Distribution Chart

\*Figures rounded to the nearest thousand

|                               |                        |              |
|-------------------------------|------------------------|--------------|
| <b>General Fund</b>           | <b>\$344.9 Million</b> | <b>81%</b>   |
| <b>Cities / Counties</b>      | <b>\$71 Million</b>    | <b>16.7%</b> |
| <b>Education / Prevention</b> | <b>\$8.2 Million</b>   | <b>1.9%</b>  |
| <b>Research</b>               | <b>\$1.6 Million</b>   | <b>0.4%</b>  |

**\$425.7 Million Returned in FY 2011**



# Revenue Distribution

## General Fund | 81% | \$344.9 Million

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

Legislatively mandated increases in the liter tax and markup increases in recent years have been used to prevent program reductions and budget cuts.



## Cities, Counties | 16.7% | \$71 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.



## Education, Prevention | 1.9% | \$8.2 Million

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



## Research | 0.4% | \$1.6 Million

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

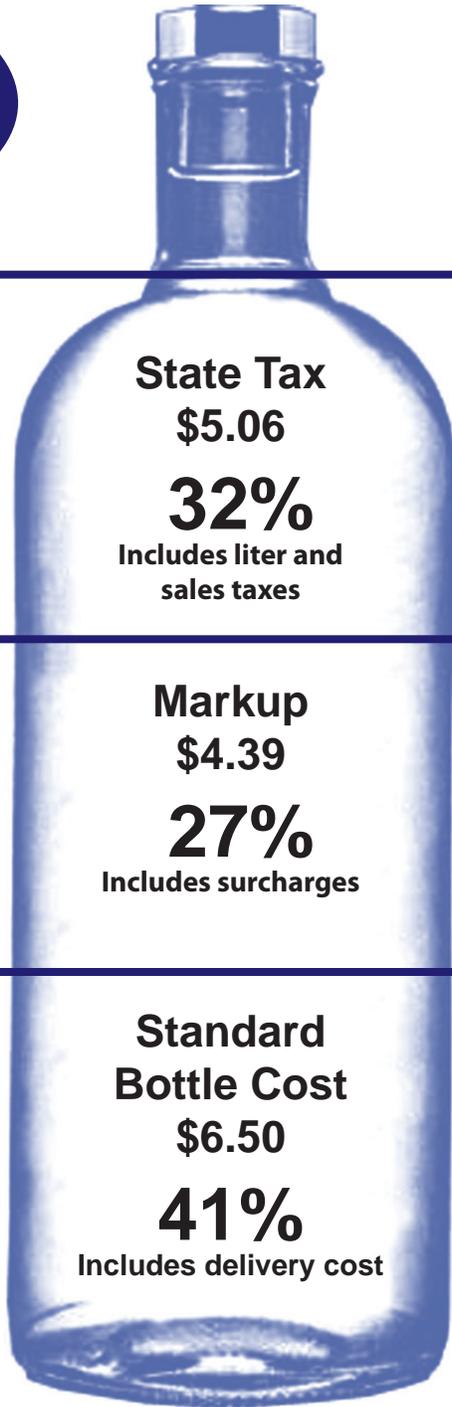
Money also is assigned to support the Washington Wine Commission, which is organized to promote and develop the state's wine industry. In FY 2011, 739 wineries were licensed in Washington State.

| <b>Research Distributions In Detail - \$1.58 Million</b> |            |
|--|------------|
| Washington Wine Commission                               | \$ 241,270 |
| UW Alcohol and Drug Abuse Institute                      | \$ 526,992 |
| WSU Alcohol and Drug Abuse Research                      | \$ 351,328 |
| WSU Wine and Grape Research                              | \$ 245,057 |
| Washington State Patrol State Toxicology Program         | \$ 150,000 |
| Youth Tobacco Prevention                                 | \$ 68,899  |

# Where Your Liquor Dollars Go...

In Fiscal Year 2011, liquor sales generated \$425.7 million to fund essential state and local services.

## Components of a Bottle



**Price at Register**  
**\$15.95**

FY 2011 Retail Bottle Cost  
(Average 750 ml)

\$2.23 State Sales Tax  
\$2.83 State Liter Tax

**State Tax**  
**\$5.06**

**32%**

Includes liter and sales taxes

\$4.49 General Fund  
\$0.57 Counties and Cities  
(through General Fund)

\$4.11 Markup  
\$0.13 Distribution Center Surcharge  
\$0.15 Board Revenue Surcharge

**Markup**  
**\$4.39**

**27%**

Includes surcharges

\$2.58 WSLCB Operations  
\$0.54 Cities  
\$0.14 Counties  
\$0.01 Border  
\$0.96 General Fund  
\$0.03 Municipal Research Council  
\$0.13 DC Debt Service

\$4.24 Bottle Cost  
\$2.14 Federal Tax  
\$0.12 Outbound Freight\*

**Standard Bottle Cost**  
**\$6.50**

**41%**

Includes delivery cost

\$4.24 Supplier  
\$2.14 Federal Government  
\$0.12 Freight Carrier

\*Based on per case charge for freight regardless of where product is delivered. Carriers are paid based on the weight and distance of the load.

## 2011 Liquor Related Legislation

### ESHB 1202 Spirits Sampling in State and Contract Liquor Stores

The measure creates a new section in RCW 66.28. The section establishes a pilot project to allow spirits sampling in 30 liquor stores between September 1, 2011 and September 1, 2012.

RCW 66.16.070 and RCW 66.28.080 are amended to allow on-premises spirits sampling in 30 state and contract liquor stores.

#### *Pilot details:*

- 30 state and contract stores will participate in the pilot;
- Only one sampling event per week is permitted; and
- The pilot project locations shall be determined by the Board based on the following conditions:
- Due consideration to the location of stores with respect to the proximity of places of worship, schools, and public institutions;
- Due consideration to motor vehicle accident data in the proximity to store locations; and
- Written notice by certified mail of the proposed spirits sampling to places of worship, schools, and public institutions within 500 feet of the store location proposed to offer spirits samples.

#### *Samples may be conducted under the following conditions:*

- Samples may be provided free of charge to persons age 21 and over;
- Each sample must be one-quarter ounce or less, up to a total of four samples per customer per day;
- Only sponsors may serve samples (sponsor means a domestic distiller, an accredited representative of a distiller, a manufacturer, importer, or distributor of spirituous liquor);
- Servers must have a Mandatory Alcohol Server Training permit;
- No person who is apparently intoxicated may sample spirits;

- The product provided for sampling must be available for sale at the store location where the sample occurs at the time of the sampling;
- Customers must remain in the sampling area while consuming samples; and
- The Board can prohibit sampling at a pilot project location that is within the boundaries of a Board-recognized Alcohol Impact Area if sampling activities at the store are having an adverse effect on the reduction of chronic public inebriation in the area.

The WSLCB will report on the pilot project to the Legislature by December 1, 2012. The results must include a survey of liquor store managers.

### HB 1227 Restaurant Corkage Fees

*Background:* Some restaurants allow patrons to bring their own wine served by restaurant employees with the meal that the patrons purchase. Restaurants typically charge a fee, called a "corkage fee," to open and serve this wine. Restaurants are not required to charge the fee.

The liquor tied house laws regulate the relationship between liquor manufacturers and distributors ("industry members") and retailers. Under the "moneys' worth" piece, no industry member may advance money or moneys' worth to a retailer and no retailer may receive money or moneys' worth under a written or unwritten agreement or through business practices.

*Summary:* The bill creates an exception to both the financial interest and moneys' worth tied house laws to allow domestic wineries and restaurants licensed to sell beer and/or wine or spirits, or beer and/or wine, to enter into an arrangement to waive a corkage fee.

### SHB 1172 Beer and Wine Tasting at Farmers Markets

This bill adds a new section to Chapter 66.24 RCW that creates a beer and wine tasting pilot at qualified farmers markets.

The pilot will consist of 10 farmers markets with at least six tastings to be held at each market between September 1, 2011, and November 1, 2012.

*Samples may be offered only under the following conditions:*

- Only one brewery, microbrewery or winery may offer samples at a farmers market per day;
- Each sample must be two ounces or less, up to a total of four ounces per customer per day;
- A brewery, microbrewery or winery may provide only one sample of any single brand and type of beer or wine to a customer per day;
- A brewery, microbrewery or winery may advertise that it offers samples only at the winery's or microbrewery's booth, stall, or other designated location at the farmers market;
- Customers must remain at the brewery's or winery's booth, stall, or other designated location while sampling;
- Brewery, microbrewery and winery licensees and employees involved in sampling activities must hold a Mandatory Alcohol Server Training permit;
- A brewery, microbrewery or winery must have food available for customers to consume while sampling beer or wine, or must be adjacent to a vendor offering prepared food;
- If a winery, brewery, or microbrewery commits a public safety violation in conjunction with tasting activities, the Board may suspend the winery or microbrewery's farmers market endorsement for up to two years. If mitigating circumstances exist, the Board may offer a monetary penalty in lieu of suspension during a settlement conference.
- The WSLCB may prohibit sampling at a farmers market that is within a Board recognized Alcohol Impact Area if the Board finds that the sampling activities at the market are having an adverse effect on the reduction of chronic public inebriation in the area.

The WSLCB will report on the pilot project to the Legislature by December 1, 2012.

## **HB 1465 Modifying Conditions and Restrictions for Liquor Licenses**

*Amends RCW 66.24.010 (6)(7) to change what is printed on a liquor license*

This amendment specifies that conditions and restrictions on a liquor license can be included in correspondence rather than listed on the face of the license.

*Amends RCW 66.04.010 (28) to remove the nightclub occupancy load*

The bill removes the 100 person-or-more occupancy load requirement for an establishment to qualify for a nightclub license.

*Amends RCW 66.24.371 to allow specialty shops to sell "growlers"*

Upon Board approval, beer and/or wine specialty shop licensees may receive an endorsement to sell beer in a sanitary container brought to the premises by the purchaser or provided by the licensee or the manufacturer, and filled at the tap at the time of sale ("growlers"). The following conditions must be met:

- Over 50 percent of the licensee's gross sales must be beer and/or wine sales; or
- The Board can waive the over 50 percent sales requirement if the shop licensee carries alcohol inventory worth over \$15,000.

*Amends RCW 66.24.240 and 66.24.244 to allow domestic breweries and microbreweries to sell beer produced by other domestic breweries and microbreweries as long as the other breweries' brands do not exceed 25 percent of the brewery's on-tap offering of its own brands.*

*Amends RCW 66.24.410 to give the WSLCB authority to define by rule "complete meals" for purposes of qualifying for a spirits, beer, and wine restaurant license.*

## **SSB 5156 VIP Airport Lounge Liquor License**

*Background:* The new section creates a license for a VIP Airport Lounge to sell or otherwise provide spirits, beer, and wine solely for consumption on the premises of the VIP airport lounge. Amends RCW 66.04.010 by adding definitions for VIP Airport Lounge; VIP Airport Lounge Operator; and Service Bar.

# Legislative Session

*Summary:* Requirements for a VIP airport lounge liquor license:

- The lounge is an establishment in an international airport, beyond security checkpoints.
- The licensee is allowed to sell or provide complimentary spirits, wine, or beer by the individual serving for consumption on the VIP airport lounge premises to people at least 21 years of age.
- Spirits must be purchased from the licensee's assigned liquor store. Beer and wine must be purchased from a local distributor or retail outlet. A licensee may purchase wine directly from the manufacturer if the licensee holds an endorsement to purchase wine directly from the manufacturer.
- The lounge licensee may only serve liquor from a service bar. A service bar is a work station primarily used to prepare and sell alcoholic beverages that are picked up by customers. Customers are not permitted to sit and consume food or alcohol at a service bar.
- Alcohol servers must have a valid MAST permit.
- The entity holding the lounge liquor license must be the entity in control of the day-to-day operations of the lounge.

Access to a VIP airport lounge is generally limited to:

- ticketed airline passengers of any age who have a first class, executive, or business class ticket;
- qualified members or guests of loyalty incentive programs;
- members or guests of enhanced amenities programs;
- passengers or airline employees issued a pass by the airline for access; and
- airport, airline employees, government officials and attendees of airport authority or airlines for business promotion with controlled access by the VIP airport lounge licensee.

## **SSB 5788 Omnibus Bill**

*Background:* This legislation is the result of a group of industry stakeholders working together to make a number of changes in retail and non-retail liquor licenses.

*Summary:* This bill has several components discussed below. The following statutes are amended:

*RCW 66.28.310 (three-tier)* is amended:

*Special occasion licensees:*

- Are allowed to pay for beer and wine immediately following the end of the special occasion event.
- Wineries or breweries that are participating in a special occasion event may pay reasonable booth fees to the special occasion licensee.

*Team Trademark Advertising* - Special sports teams who hold a retail liquor license or their agents may accept liquor advertising from manufacturers, importers, distributors, or their agents for use in the sporting arena.

The professional sports team or their agent may also license the manufacturer, importer, distributor, or their agent to use the name and trademarks of the professional sports team in their advertising and promotions. The advertising or promotion must meet the following requirements:

- The advertising must be paid for by the manufacturer, importer, distributor, or their agency at the published advertising rate or at a reasonable fair market value; and
- Such advertising may carry no express or implied offer on the part of the manufacturer, importer, distributor, or their agent, or promise on the part of the retail licensee whose operation is directly or indirectly part of the sporting arena, to stock or list any particular brand of liquor to the total or partial exclusion of any other brand.

*RCW 66.28.290 Financial Interest /Ownership:*

- Amended to add hotels and nightclubs to the list of retail liquor licensees that may have a financial interest or ownership in a non-retail liquor license under certain conditions.
- Adds the distiller's liquor license to the list of non-retail liquor licensees that may have a financial interest or ownership in a retail liquor license under certain conditions.

*RCW 66.24.240 Domestic Brewery License:*

Amended to correct the reference to the malt beverage definition.

*RCW 66.20.010 Permits:*

Amended to allow a vendor that manufactures or sells a product that cannot be effectively presented to potential buyers without serving it with liquor to

obtain a class 8 permit which will allow them to serve liquor without charge to delegates and guests at a convention of a trade association composed of licensees of the Board.

*RCW 66.24.310 Agent's License:*

Amended to exempt domestic wineries or their employees from the requirement to hold a representative's license if they canvas for, solicit, receive or take orders for the purchase or sale of wine, or contact any licensees of the Board in goodwill activities.

*RCW 66.24.400 S/B/W Restaurant License:*

Amended to allow a spirits/beer/wine restaurant liquor licensee that holds a kegs-to-go endorsement to sell "growlers" to their customers.

*RCW 66.24.590 Hotel License:*

Amended to allow a licensed hotel to sell "growlers" to their customers from the tap in the restaurant area of the hotel.

*RCW 66.24.450 S/B/W Private Club License:*

Amended to remove the cap of 40 on the non-club, member-sponsored event endorsement.

*Technical changes needed due to legislation that passed in the 2009 legislative session:*

The following RCW's are amended to remove the references to RCW 66.28.010: RCW 66.24.360 (Grocery Store); RCW 66.24.371 (B/W Specialty Shop); RCW 66.24.570 (Sports/Entertainment Facility); RCW 66.24.580 (Public House); RCW 66.28.040 (Giving away of liquor); RCW 66.28.042 (Providing food and beverages for business meetings); RCW 66.28.155 (Industry members allowed to conduct educational activities on the licensed premises of a retailer); RCW 66.28.190 (Sales of non-liquor food and food ingredients)

## Agency Performance

In FY 2011, the agency began an extensive performance self assessment as part of its quality improvement efforts. 20 internal examiners and six mentors were trained, and they interviewed nearly 80 employees, analyzed division information and results, and created a series of feedback reports to gauge the agency's strengths and improvement opportunities.

This self assessment builds upon earlier performance improvement activities, including an application for an independent assessment to the Washington State Quality Award (WSLCB) in 2008. The WSQA independent assessment is a comprehensive, in-depth review process that helps an agency evaluate and identify strengths and areas needing improvement.

WSQA is based on the nationally acclaimed Malcolm Baldrige Criteria for Performance Excellence. Criteria categories include leadership, strategic planning, customer focus, measurement and analysis, human resource focus, process management and business results.

# Washington State Liquor Control Board

## Mission

Contribute to the safety and financial stability of our communities by ensuring the responsible sale, and preventing the misuse of, alcohol and tobacco.

[www.liq.wa.gov](http://www.liq.wa.gov)