



House Consumer Protection and Business Comm. Alcohol Regulation and Current Issues

Washington State Liquor and Cannabis Board (LCB)

January 14, 2025



Overview

Agency Overview

Will Lukela, Director

History of Alcohol Regulation

Justin Nordhorn, Policy and External Relations Director

Licensing and Regulation

Rebecca Smith, Licensing and Regulation Director

Enforcement and Education

Jennifer Dzubay, Enforcement and Education Captain (Tobacco Tax)

Agency Challenges

Justin Nordhorn, Policy and External Relations Director



Washington State Liquor and Cannabis Board

Meet the Board



Board Chair Jim Vollendroff, MPA

- Appointed as Board Member May 2, 2022
- Appointed as Board Chair Dec. 18, 2024
- Behavior health leader at UW, Harborview/UW Medicine Behavioral Health Institute, and King County Behavioral Health



Board Member Ollie Garrett

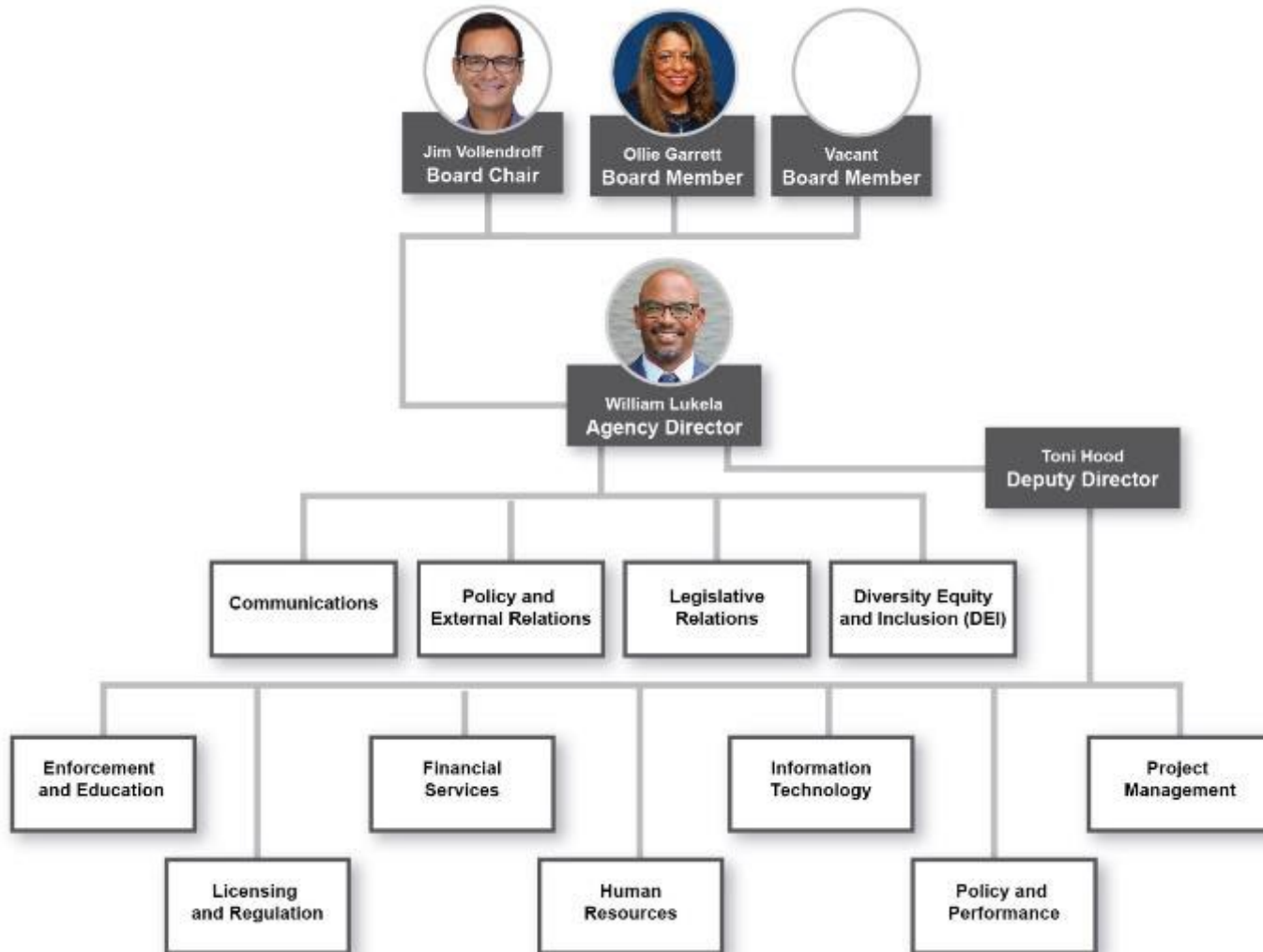
- Appointed Aug. 15, 2016 and Re-appointed in 2022
- Small business owner, African-American business and community leader

Board Member (Vacant)



Washington State Liquor and Cannabis Board

Organization Chart





Core Services and Responsibilities

- **Educating and Enforcing**
 - Liquor, cannabis, tobacco, and vapor laws;
 - Preventing youth access to these products;
- **Licensing and Regulating**
 - Liquor at nearly 19,000 retail businesses (ex. restaurants, groceries) and over 8,600 non-retail (ex. distilleries, wineries);
 - Cannabis at about 1,500 producers and processors and about 490 retailers;
- **Collecting**
 - Spirits fees, beer and wine excise taxes, as well as cannabis excise taxes and fees that totaled \$724.6 million in FY 2024.



Washington State Liquor and Cannabis Board

Vision, Mission

Vision

Safe communities for Washington State.

Mission

Promote public safety, public health, and trust through fair administration, education, and enforcement of liquor, cannabis, tobacco, and vapor laws.





Washington State Liquor and Cannabis Board

Goals

Goals

All Washington communities have the highest level of public health and public safety.

Our services are accessible and responsive to the needs of communities, partners, and our customers.

We have a culture of trust, belonging, and valuing people.

Website

For details, please visit our website at lcb.wa.gov





History of Alcohol Regulation in WA State

Justin Nordhorn, Policy and External Affairs Director

Significant Years At-a-Glance

Timeline

- 1919 18th Amendment (Prohibition) ratified
- 1920 18th Amendment goes into effect
- 1933 21st Amendment (ending Prohibition) ratified
- 1934 WA State's Steele Act (Creates LCB, Control System)
- 1982 In-state wineries and breweries were given the right to self distribute to WA retailers.
- 2006 Out of state wineries can self distribute to Washington state retailers
- 2011 Initiative 1183 enacted by voters (59% to 41%)



Repeal of Prohibition - 1933

- In 1934, states are at a “fork in the road”
- 21st Amendment to the Constitution gives states the right to regulate alcohol
- 18 states (and two MD counties) become “control” jurisdictions
- 30 states become “license” jurisdictions
- Steele Act creates WSLCB
- Washington models control system

“Instead of promoting the sale of liquor, your function is only to make good liquor available to people under proper conditions.”

Governor Martin on Jan. 23, 1934
To the newly established WSLCB.



Post Prohibition (1934 Steele Act)

The Steele Act established a comprehensive system for sale and distribution of spirits, beer, and wine

Three-tier system

- Manufacturer
- Distributor
- Retailer

The tiered system was designed to avoid pre-Prohibition abuses

- Separates wineries and breweries from retailers
- Requires beer and wine to be sold through distributors
- State “controls” sale of spirits



Post-Prohibition - Steele Act, cont.

Tied-house laws

- Support separation of tiers
- Prevent domination of one tier over another or exclusion of competitors' products

Two aspects:

- Ownership – prohibit Manufacturers and Distributors from owning or having a financial interest in a Retailer.
- Money's worth – prohibit Manufacturers and Distributors from providing things of value to Retailers.



State's Retail System (1934-2011)

Goals

- Limit availability; reduce access
- Restricted hours
- Strict prohibition in advertising liquor
- No economic incentive to sell
- Average tenure for state employees was 17 years
- Reducing underage access
- 94% compliance rate (youth access) in state stores
- Lower alcohol consumption rate



Control State vs. License State

WA Control System (1934-2011)

- Three-Tier System separating Manufacturers from Distributors from Retailers
- Uniform price controls across all retailers
- 160 state-run liquor stores
Spirits with limited wine and beer (83% of liquor sales)
- 154 “contract” stores
Privately-owned stores in rural areas (17% of liquor sales)



Control State vs. License State

Initiative 1183 Requirements (2011)

- Close state liquor stores and sell their assets including the liquor distribution center
- State to license private parties to distribute spirits and to sell spirits in private-sector retail stores
- Required 10,000 square feet to sell spirits (with exceptions)
- Repealed uniform pricing laws

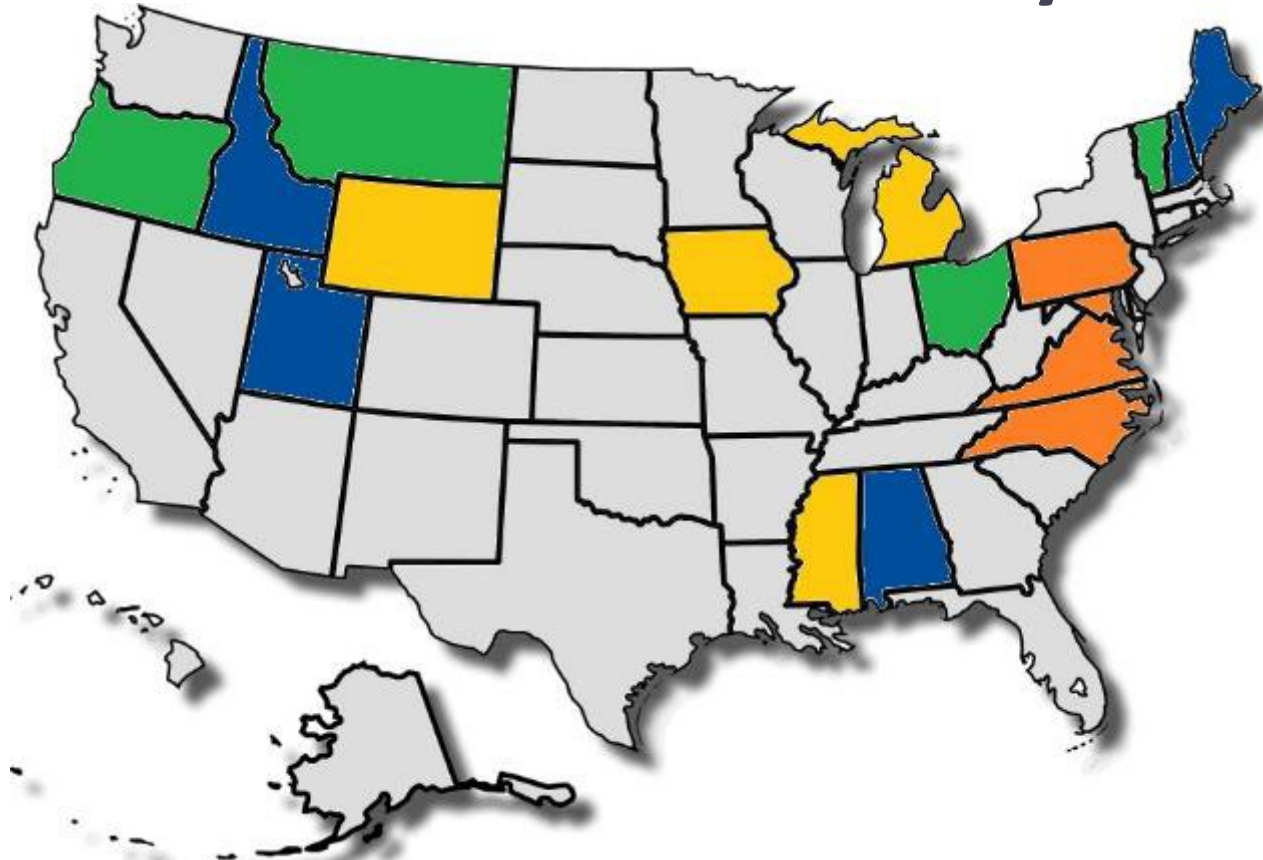
WA License or “Open System” (2012 – Present)

- Three-tier system remains in place
- Money's worth remains in place
- 1,450 private offsite locations selling spirits (10k+ sq. ft. grocers, former state and contract stores, tribal stores)



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The Control States Today...



State and Local Government

State and/or Contract Stores

Wholesale

Contract Liquor Stores
(AL also has private package stores)



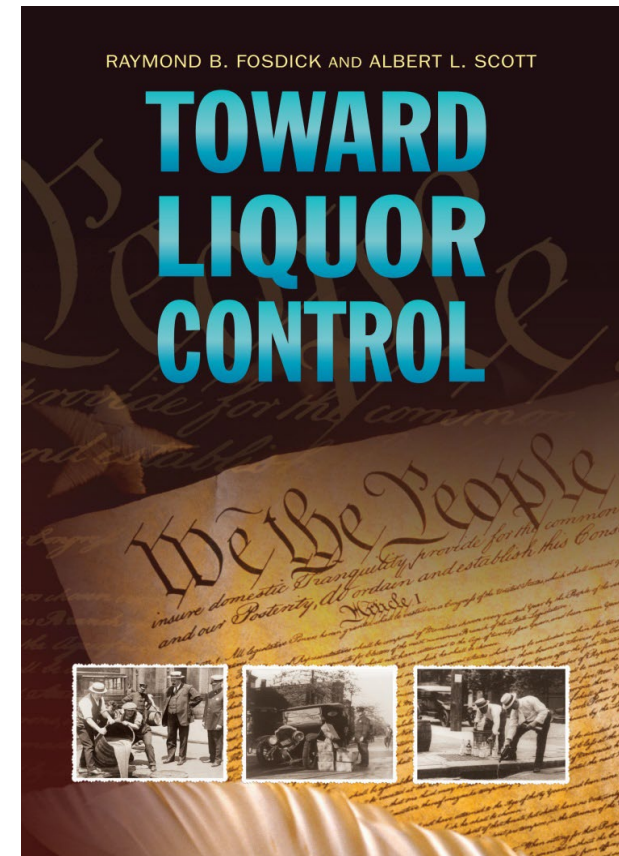
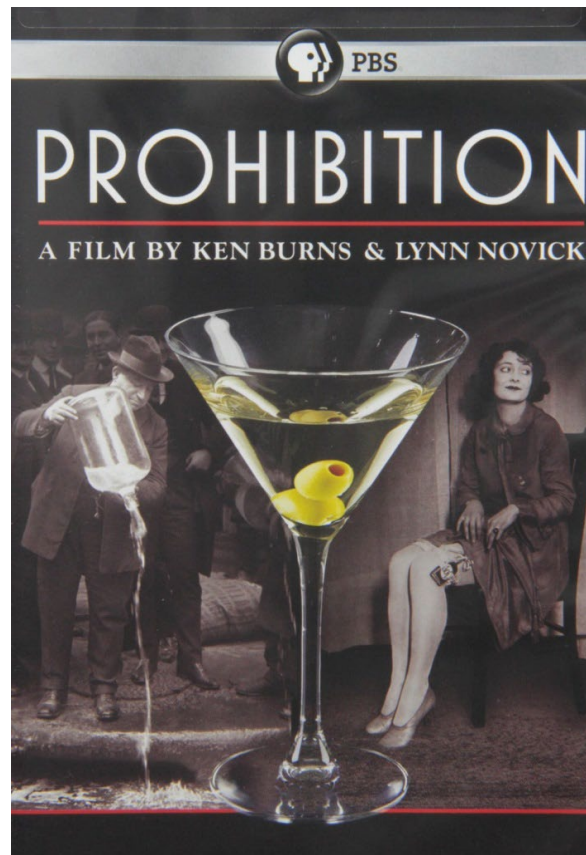
Washington State Liquor and Cannabis Board

Additional History Resources

The DRY YEARS

Prohibition & Social Change in Washington

NORMAN H. CLARK



Licensing and Regulation Division

Rebecca Smith, Director of Licensing and Regulation



Washington State Liquor and Cannabis Board

The Licensing and Regulation Division administers all licenses and permits for the sale, service, manufacturing and distribution of alcohol and cannabis within the state of Washington. The Division consists of nearly 70 employees and is the second largest division in the LCB.

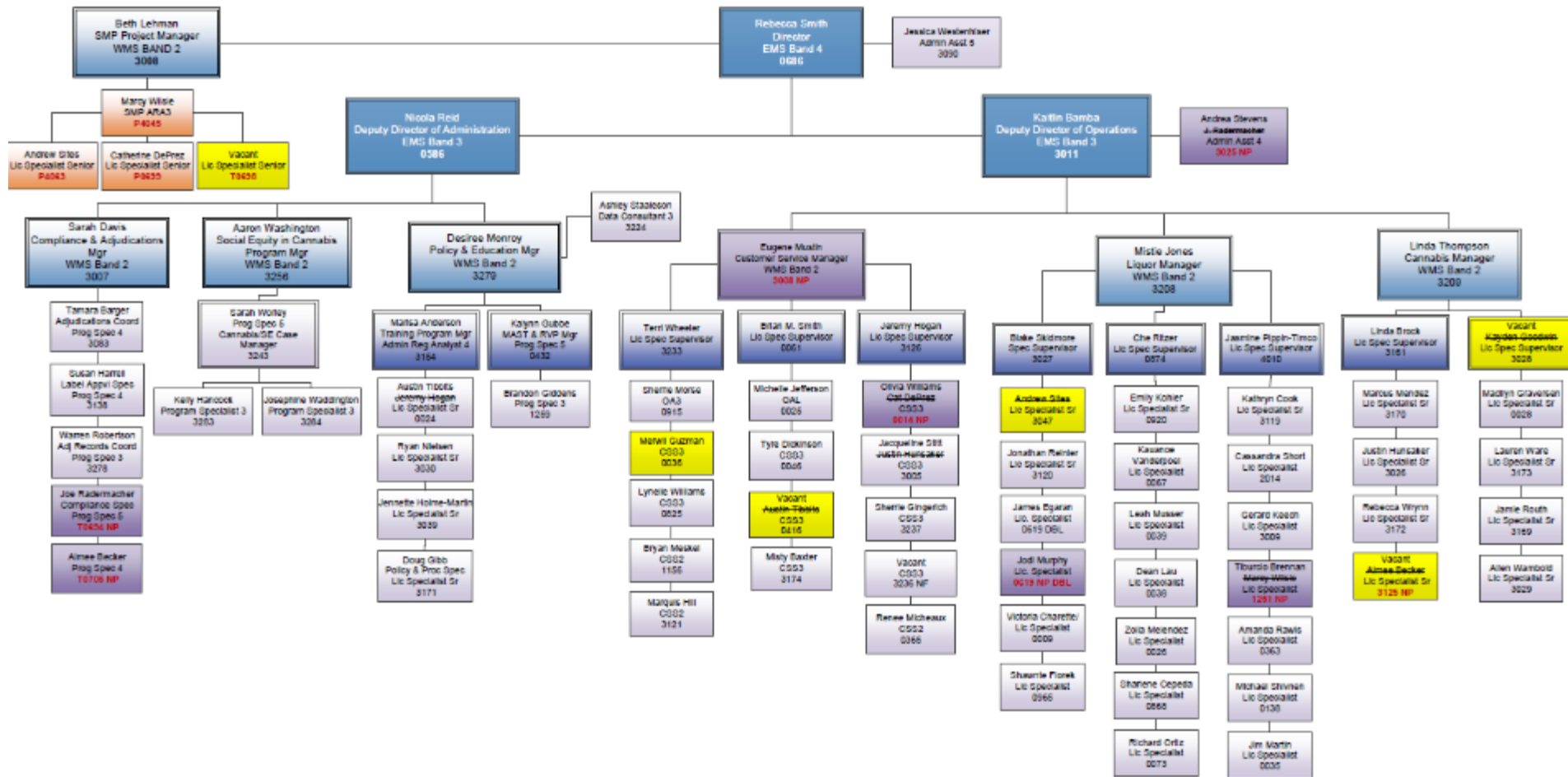
Our division goals align with the agency goals by:

- Issuing licenses and permits, based on applicants meeting license requirements, in the interest of public safety.
- Educating and engaging licensees, the public and other stakeholders in understanding issues related to alcohol and cannabis.
- Creating a human-based work environment where we respect diversity and inclusion with open communication, transparency, accountability, and data-driven decisions.





Licensing and Regulation Organizational Structure





Washington State Liquor and Cannabis Board

The Customer Service Unit is the first point of contact regarding inquiries related to laws, rules, policies and procedures. The Customer Service Unit responded to over 15,000 phone calls throughout the past year.

- Answering high volume phone calls and correspondence;
- Processing Special Occasion Licenses, liquor permits, liquor alteration requests and added endorsements;
- Receiving and entering license applications into the system; and
- Processing license withdrawals, approvals and refunds at the end of the process.

Issued in FY 2024

Special Occasion Licenses	3,593
Raffle Permits	152
Agents Licenses	1,696
Other	1,307





Washington State Liquor and Cannabis Board

The Liquor Licensing Unit process applications for retail establishments that sell alcohol for on-premises and off-premises consumption and non-retail establishments that manufacture, import, wholesale, and distribute alcohol products.

Last year, the unit received over 3,900 liquor license applications.

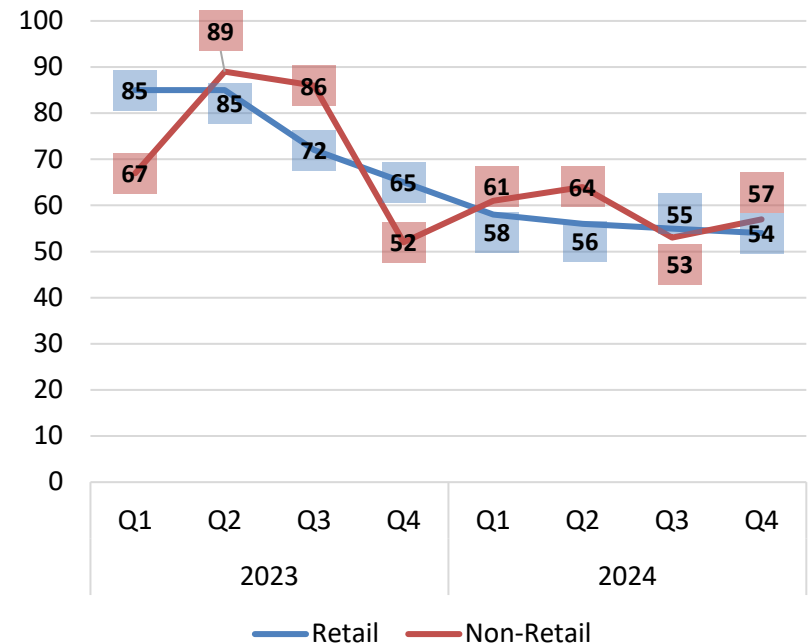
Retail Licenses

- On-Premises: Sell alcohol for consumption within the licensed premises (restaurants, taverns, nightclubs, etc.)
- Off-Premises: Sell alcohol for consumption away from the licensed businesses (grocery store, mini-mart, spirits retailer, etc.)
- Active Retail Licenses: 19,207

Non-Retail Licenses

- Businesses that manufacture, import or wholesale alcohol (distillery, winery brewery, distributor, etc.)
- Active Non-Retail Licenses: 8,668

Average Processing Times - Days





Washington State Liquor and Cannabis Board

Responsible Vendor Program (RVP)

- Encourages retailers selling alcohol for off-premises consumption to adopt best practices and ensure liquor is sold responsibly.
 - 1,282 liquor retailers are enrolled in the program.



Mandatory Alcohol Server Training (MAST)

- Required by law for anyone who serves alcohol for on-premises consumption
 - Class 12 Servers permit issued to those 21 years of age and over.
 - Class 13 Servers permit issued to those 18 to 21 years of age.
- There are 209,813 MAST permits holders.



Class 12 Permit



Class 13 Permit



Washington State Liquor and Cannabis Board

The Compliance and Adjudications Unit

Makes adjudicative decisions regarding denial of licenses.

- In previous fiscal year, 37 liquor applications came for a threshold decision due to an individual(s) within the applying entity accruing more criminal history points than allowed by rule. Only 2 were denied. We did not receive any local authority objections due to an applicants or licensee's alleged criminal history.

Liquor label review for compliance

- The unit completes a review of 25% of all submissions in addition to spot checks for compliance.

The Policy and Education Unit

- Licensing policy development
- Legislative and rule implementation
- Resources and training
- Data analysis and reporting





Washington State Liquor and Cannabis Board

Licensing has been actively working on action items to engage and establish connections with industry members.

- Increased collaboration with representatives from **Sports Entertainment Facilities** to seek input, discuss public safety best practices, open discussions on potential future changes, and share resources.
- **Retail and Non-Retail Licensing Workgroups** with discussion to gather perspectives and understanding on different topic areas specific to liquor licensing. The group discussions may include topics related to trends, bet practices, barriers, and industry needs.
- **Speaking Requests and Training.** This past year through virtual and in-person engagement, Licensing & Regulation employees provided 37 presentations and trainings covering topics on new license types, rule changes and special events.



Enforcement and Education Division

Jennifer Dzubay, Interim Deputy Chief of Enforcement and Education



Division Staffing

Director	1
Deputy Chiefs	2
Captains	8
Lieutenants	24
Officers	104
Education Unit	21
Support/Admin. Staff	33
Total Staff	193



Division Mission Statement

The mission of everyone associated with the Washington State Liquor and Cannabis Board Enforcement and Education Division is to consistently contribute to our State's international reputation as a safe place to live, work, conduct business, play, learn and visit.

We accomplish our mission through providing the highest quality education, enforcement, and support services as is possible within the resources provided to us.

We are recognized as a go-to resource throughout the State, as professional, compassionate, responsive, fostering community partnerships, and as adding value in return for the funds with which we are entrusted.



Division Strategic Objectives

Board and Stakeholder Relations:

Be responsive to the board and our stakeholders

Leadership and Management:

Practice Intentional Leadership

Operations Services:

Pursue public safety and compliance

Administrative Services:

Provide exceptional service to internal and external customers

Education and Industry Relations:

Educate and inform stakeholders and staff

Partner Services:

Partner with others to align resources and community needs



Division Overview

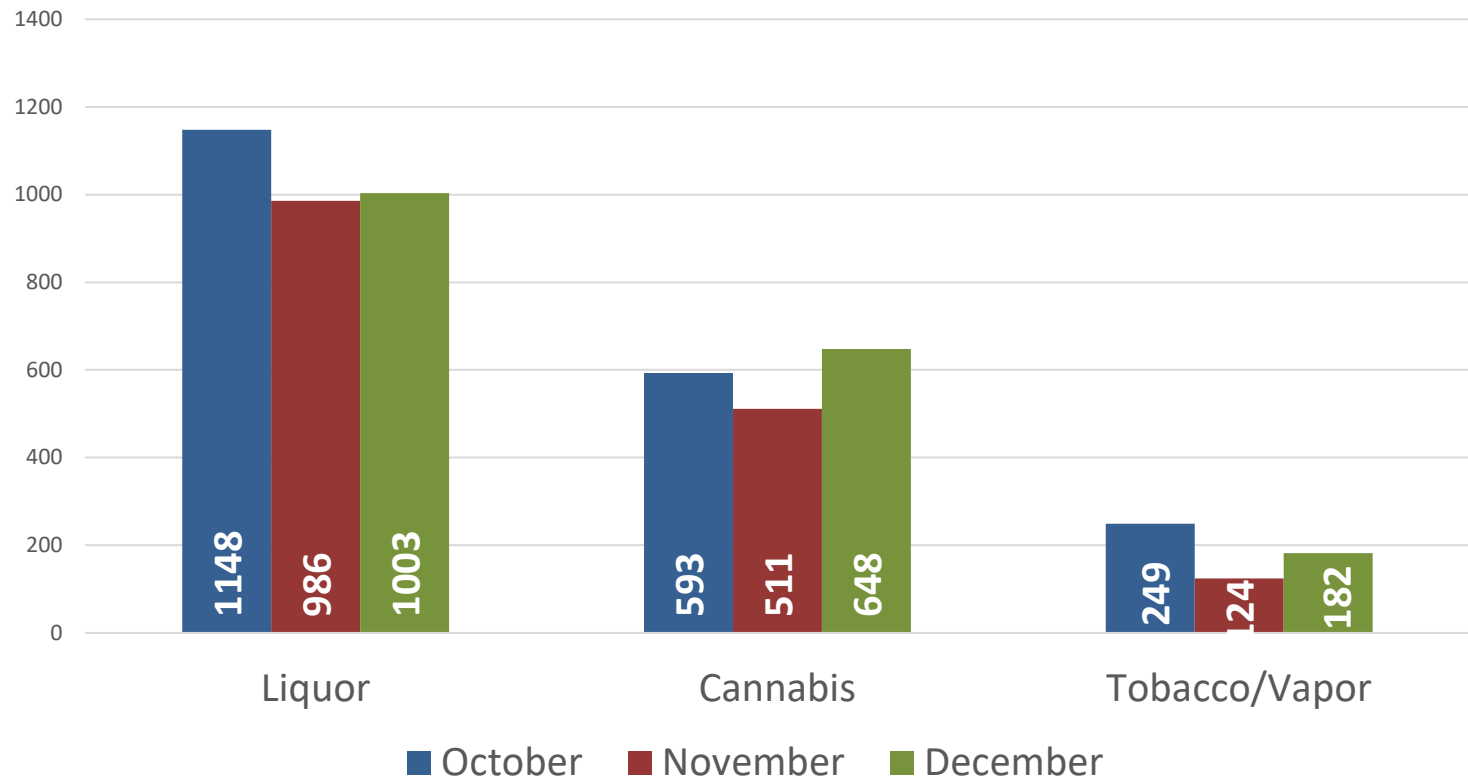
CY2024	
Premises checks conducted	34,236
Educational contacts	25,216
Hours of education	4,797
Complaint investigations	2,792
Public safety allegations	60%
Public safety AVN's*	91%
Compliance checks conducted	4,163

*AVN = Administrative Violation Notices



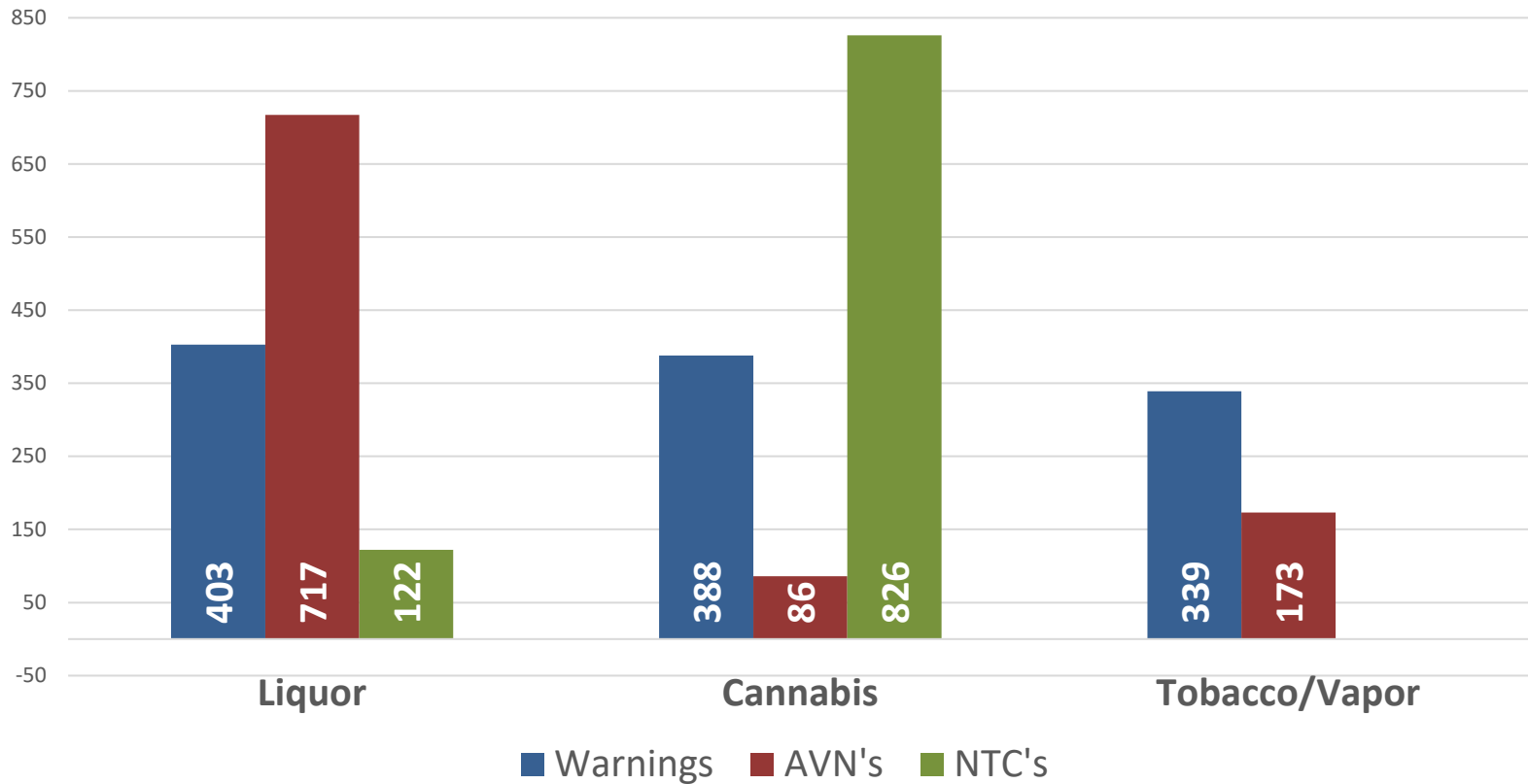
Education

4th Quarter Educational Contacts





Violation Breakdown 2024





Washington State Liquor and Cannabis Board

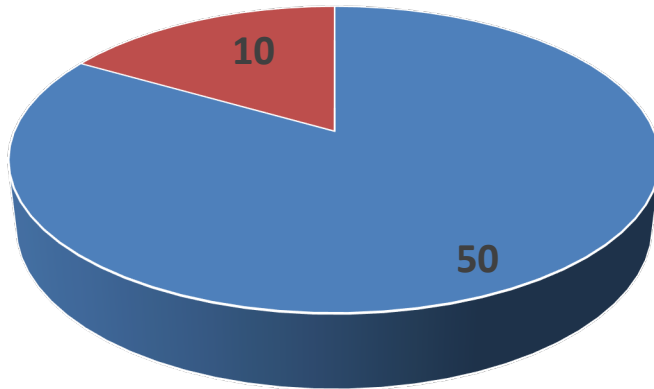
Liquor

CY 2024	
New Licensee Inspections	1,110
Premises Checks	19,975
Educational Contacts	14,370
Hours of Education	2,909
Complaint Investigations	1,893
Public Safety Allegations	73%
Public Safety AVN's	93%
Compliance Checks Conducted	2,324



Liquor Compliance Checks

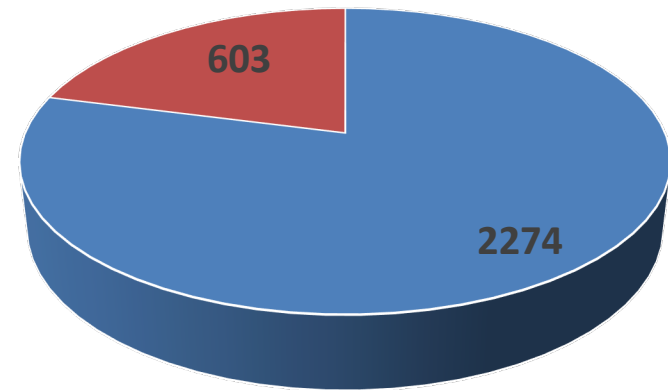
Delivery



■ Number of compliance checks ■ Number of sales

80% compliance rate

At premise



■ Number of compliance checks ■ Number of sales

74% compliance rate



Tobacco Tax

CY 2024	
Master Settlement Agreement Packs Seized	6,260
Premises Checks Conducted	3,083
Educational Contacts	2,460
Hours of Education	405
Complaint Investigations Closed	77
Tax Audit Product Assessments to DOR	\$2,998,496



Vapor Team

CY 2024	
Premises Checks	2,409
Educational Contacts	1,397
Hours of Education	175
Internet Investigations	11
Vapor Tax Assessments	\$6,041,732
Tobacco/Vapor/SYNAR/DOH Compliance Checks Conducted	1,425
THC/Synthetic THC products seized	3,198



Other Enforcement Activity

- Agency receives **2024 NLLEA Innovative Alcohol Law Enforcement Program of the Year Award**
- Transitioned to Liquor Civil Penalty process
- **Vacancy Challenges** (25 currently)
 - Ongoing retirements and resignations
 - Competing with other Law Enforcement agencies that pay signing/retention bonuses
- Created 7 Liquor Compliance Consultants

Current Alcohol-Related Challenges

Justin Nordhorn, Policy and External Relations Director

Alcohol Challenges

License Specificity

- Numerous license types.
- Specific privileges for each license type.
- Reduces flexibility business innovation.
- License types do not cater to all business models.

Confusion Related to Alcohol Products

- Alcohol by Volume (ABV)
- Standard Drink sizes
- Blood Alcohol Concentration (BAC)

Liquor Product and Placement

- Iconic brands that now include alcohol.
- Store displays intentionally or unintentionally marketed to youth.
- Reduce confusion between alcohol and non-alcohol beverages.
- Limiting ease and risk of theft.

Questions?