

State of Washington  
Decision Package

**Agency:** **195 Liquor Control Board**

**Decision Package Code/Title:** MA - UNEMPLOYMENT BENEFITS - 1183

**Budget Period:** 2015 - 2017

**Budget Level:** M2 - Inflation and Other Rate Changes

**Recommendation Summary Text:**

The Washington State Liquor Control Board (WSLCB) is continuing to experience unemployment costs as a result of the staff layoffs that followed the passage of I-1183. Therefore, the WSLCB is requesting funding for unemployment costs in the 2015-2017 biennium.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
501-1 Liquor Revolving Account - State	\$40,000	\$40,000	\$80,000

**Package Description:**

The language of Initiative 1183 required the WSLCB to discontinue retail operations, resulting in a reduction to the agency of 902 FTEs. Unemployment benefits for the affected employees were estimated in the Office of Financial Management (OFM) fiscal impact statement on the initiative and funded in the 2011-2013 and 2013-15 budgets. However, the agency is still experiencing unemployment charges from some of these employees. If this package is not funded, the agency will have an unfunded liability for benefits in the 2015-2017 biennium.

## **Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

### **Performance Measure Detail**

N/A

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

The agency may be less able to fulfill the stated strategy below without the funding.

**Goal:** 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.

**Strategy:** Enhance the LCB's effectiveness in addressing liquor related public safety issues

*Does this DP provide essential support to one or more of the Governor's Results Washington priorities?*

Providing for Public Safety – Not funding this request will reduce the funding available to the WSLCB to provide the highest level of public safety.

*What are the other important connections or impacts related to this proposal?*

Employee layoffs are one of the outcomes of Initiative 1183 as voted by the citizens of Washington.

*What alternatives were explored by the agency, and why was this alternative chosen?*

No other alternatives were explored. Not funding this request would reduce the already constrained operating budget of the agency.

*What are the consequences of adopting or not adopting this package?*

If adopted, the WSLCB would be able to maximize current allotments toward the agency mission of public safety. If not adopted, the agency would need to reduce allotments in programs already constrained by the 15% reduction, possibly having a negative effect on the ability of the agency to focus on public safety.

*What is the relationship, if any, to the state's capital budget?*

None.

*What changes would be required to existing statutes, rules, or contracts, in order to implement the change?*

None.

*Expenditure and revenue calculations and assumptions*

Costs are estimated at \$10,000 per quarter, based on analysis of I-1183 unemployment payouts.

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

All costs are assumed to be one-time.

<b><u>Object Detail</u></b>	<b><u>FY2016</u></b>	<b><u>FY2017</u></b>	<b><u>Total</u></b>
B Employee Benefits	\$40,000	\$40,000	\$80,000

State of Washington  
Decision Package

Agency: **195 Liquor Control Board**

Decision Package Code/Title: **8L – LEASE RATE ADJUSTMENTS**

Budget Period: **2015 - 2017**

Budget Level: **M2 - Inflation and Other Rate Changes**

**Recommendation Summary Text:**

Rent at the Washington State Liquor Control Board's (WSLCB) headquarters at 3000 Pacific Avenue has increased from \$83,872/month to \$92,245/month, a 10% increase. This request is to fund the rent increase.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
501-1 Liquor Revolving Account - State	\$100,500	\$100,500	\$201,000

**Package Description:**

In April of 2014, the WSLCB's rent for the headquarters building at 3000 Pacific Avenue increased per the terms of the lease agreement. The current lease will expire in March of 2019. The rent increase is \$8,373 per month over the prior rate.

This request will allow the WSLCB to maintain a centrally located headquarters office that provides critical service support to our customers, both internal and in the retail business community.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

## Performance Measure Detail

N/A

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

**Goal:** Educate and engage licensees, the public and other stakeholders in addressing issues related to alcohol, cannabis and tobacco

**Strategy:** Educate and engage media, stakeholders, communities, general public

*Does this DP provide essential support to one or more of the Governor's Results Washington priorities?*

Yes – this decision package supports the priority of “effective, efficient and accountable government” by allowing the WSLCB to remain at the current headquarters building.

*What are the other important connections or impacts related to this proposal?*

WSLCB Contract #L005-7 Lease agreement dated May 29, 2009 stipulating the lease amounts.

*What alternatives were explored by the agency, and why was this alternative chosen?*

No alternatives were explored. The only option would be to move to a new facility.

*What are the consequences of adopting or not adopting this package?*

By adopting this package, the WSLCB will be able to fully utilize other agency allotments to accomplish the agency's mission of public safety. If this package is not adopted, the agency will have to use existing already strained appropriations to fund the rent increase, leaving less to fund the agency's mission of public safety.

*What is the relationship, if any, to the state's capital budget?*

None.

*What changes would be required to existing statutes, rules, or contracts, in order to implement the change?*

None.

*Expenditure and revenue calculations and assumptions*

The rent increase is in the contract as \$8,372.90 above the previous rate.

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

All costs are ongoing.

<b><u>Object Detail</u></b>	<b><u>FY2016</u></b>	<b><u>FY2017</u></b>	<b><u>Total</u></b>
E Goods & Services	\$100,500	\$100,500	\$201,000
<b>Total objects</b>	<b>\$100,500</b>	<b>\$100,500</b>	<b>\$201,000</b>

State of Washington  
Decision Package

Agency: **195 Liquor Control Board**

Decision Package Code/Title: **9F – FEDERAL FUNDING ADJUSTMENT**

Budget Period: 2015 - 2017

Budget Level: M2- Inflation and Other Rate Changes

**Recommendation Summary Text:**

The FDA (Food & Drug Administration) has a contract with the Washington State Liquor Control Board (WSLCB) to inspect tobacco retailers within Washington state. The contract has been renewed and the expenditure authority level needs to be updated to reflect the terms of the new contract.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
001-2 General Fund – Basic Account-Federal	\$570,000	\$1,245,000	\$1,815,000

**Package Description:**

The WSLCB acts as a contractor for the FDA (Food & Drug Administration), and under this agreement, the agency inspects tobacco retailers for compliance on behalf of the federal government. The WSLCB incurs expenditures and then bills the FDA, which then reimburses the WSLCB. Currently, the agency has \$810,000 of expenditure authority in FY1 and \$135,000 in FY2. These amounts need to be updated to reflect the terms of the new contract, approximately \$1,380,000 per year.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

N/A

**Performance Measure Detail**

N/A

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

The agency is acting as a contractor of the federal government; however it does tie in with our agency goal of addressing issues related to tobacco.

**Goal:** Educate and engage licensees, the public and other stakeholders in addressing issues related to alcohol, cannabis and tobacco

**Strategy:** Enhance coordination and collaboration of statewide efforts

*Does this DP provide essential support to one or more of the Governor's Results Washington priorities?*

This does contribute to the Governor's Results Washington priority #4 - "Healthy And Safe Communities."

*What are the other important connections or impacts related to this proposal?*

*What alternatives were explored by the agency, and why was this alternative chosen?*

No alternatives were explored. This proposal allows the agency to take advantage of the federal contract.

*What are the consequences of adopting or not adopting this package?*

If this package is not adopted, the agency will not have expenditure authority to operate as a contractor of the federal government, since the WSLCB is required to incur expenditures before being reimbursed.

*What is the relationship, if any, to the state's capital budget?*

None.

*What changes would be required to existing statutes, rules, or contracts, in order to implement the change?*

None.

*Expenditure and revenue calculations and assumptions*

The contract is renewed every three years, and it is assumed that for the full term of this contract, and in future contracts, the tobacco inspection program will continue at the same level as the contract just signed.

Object detail spread is prorated based on current monthly allotments.

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

All costs are assumed to be ongoing.

<b><u>Object Detail</u></b>	<b><u>FY2016</u></b>	<b><u>FY2017</u></b>	<b><u>Total</u></b>
A Salaries	\$349,785	\$764,000	\$1,113,785
B Benefits	138,250	301,970	440,220
E Goods & Services	11,125	24,300	35,425
G Travel	69,190	151,130	220,320
J Capital Outlays	1,650	3,600	5,250
<b>Total objects</b>	<b>\$570,000</b>	<b>\$1,245,000</b>	<b>\$1,815,000</b>

State of Washington  
Decision Package

Agency: **195 Liquor Control Board**

Decision Package Code/Title: **A0 - REDUCTION OF STAFF FUNDING**

Budget Period: **2015 - 2017**

Budget Level: **PL - Performance Level**

**Recommendation Summary Text:**

The Washington State Liquor Control Board (WSLCB) is rebasing their operating budget per direction from the Office of Financial Management (OFM) in a memo dated June 13, 2014. This will be partially achieved through the reduction of funding for staff positions that the WSLCB planned to fill.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
501-1 Liquor Revolving Account-State	(\$803,308)	(\$803,308)	(\$1,606,616)
	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Annual Average</u></b>
<b>Staffing</b>			
FTEs	(5.0)	(5.0)	(5.0)

**Package Description:**

The Office of Financial Management (OFM) has directed agencies to rebase their operating budget to 15 percent below the existing maintenance level. This will be partially achieved through the reduction of funding for staff positions currently vacant that the WSLCB planned to fill.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

None.

**Performance Measure Detail**

N/A

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

No.

**Goal:**

**Strategy:**

*Does this DP provide essential support to one or more of the Governor's Results Washington priorities?*

This decision package does not provide essential support to any of the Governor's Results Washington priorities. This decision package may be a detriment to the Governor's goal 5 (Efficient, Effective and Accountable Government) as it relates to a lean and efficient government.

*What are the other important connections or impacts related to this proposal?*

This reduction is related the rebasing of our maintenance operating budget as required in the OFM Memo of June 13<sup>th</sup>, 2014.

*What alternatives were explored by the agency, and why was this alternative chosen?*

This alternative was selected through an agency prioritization exercise.

*What are the consequences of adopting or not adopting this package?*

The consequences of not adopting this package would be that the WSLCB does not reach its 15% reduction target. Adopting this package would mean that the agency will be unable to utilize currently vacant positions to fill projected staff needs.

*What is the relationship, if any, to the state's capital budget?*

None.

*What changes would be required to existing statutes, rules, or contracts, in order to implement the change?*

None.

*Expenditure and revenue calculations and assumptions*

None.

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

All reductions in costs are ongoing as this would rebase the WSLCB's budget at a lower level.

<b><u>Object Detail</u></b>	<b><u>FY2016</u></b>	<b><u>FY2017</u></b>	<b><u>Total</u></b>
A Salaries	(\$451,927)	(\$451,927)	(\$903,854)
B Benefits	(180,771)	(180,771)	(361,542)
E Goods & Services	(89,375)	(89,375)	(178,750)
G Travel	(81,235)	(81,235)	(162,470)
<b>Total objects</b>	<b>(\$803,308)</b>	<b>(\$803,308)</b>	<b>(\$1,606,616)</b>

State of Washington  
Decision Package

Agency: **195 Liquor Control Board**

Decision Package Code/Title: **A1 – REDUCTION OF IT FUNDING**

Budget Period: **2015 - 2017**

Budget Level: **PL – Performance Level**

**Recommendation Summary Text:**

The Washington State Liquor Control Board (WSLCB) is rebasing their operating budget per direction from the Office of Financial Management (OFM) in a memo dated June 13, 2014. This will be partially achieved through the elimination of some technology projects, the elimination of a vacant FTE, and software and services deemed unnecessary in the future.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
501-1 Liquor Revolving Account-State	(\$990,930)	(\$990,930)	(\$1,981,860)
	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Annual Average</u></b>
<b>Staffing</b>			
FTEs	(1.0)	(1.0)	(1.0)

**Package Description:**

The Information Technology (IT) division is achieving their portion of the LCB's 15% reduction in several ways:

**Software and Services Rightsizing - \$647,994**

There is a rightsizing effort currently underway to evaluate the services and tools consumed and offered by the IT division. This has resulted in discontinuing some services and subscriptions such as Gartner and K2. The division has also lowered software license counts and maintenance levels on software and hardware solutions such as Box, Antivirus solutions and network circuits.

**ITS2 Position - \$154,510**

A proposed staff reduction in the IT Division that provides technology support and administration of systems for the agency. This has a direct impact to cross-training staff on the new systems we

administer such as Seed to Sale (BioTrack), GIS (Geographic Information Systems), and the Marijuana Workflow and application system.

**Tax Systems Integration (contracted, developer) - \$340,000**

The strategic plan intended to hire contractors to complete the in-house application development of the Spirits tax system with a goal to use contractors to merge the Beer and Wine tax solution into the Spirits tax system. This would consolidate tax systems onto one platform.

**Virtual Desktop Services and VOIP Telephone Solutions - \$605,200**

Ongoing modernization efforts with Virtual Desktop Services require support and maintenance costs as well as ongoing development of existing systems to run in a virtual environment. These funds were allocated to support a virtual environment.

The IT division had planned to replace the aging telephone system in the agency headquarters and remote offices with a current Voice Over IP solution. This proposed figure includes the operational maintenance and support costs for the telephone communications solutions.

**Mobile Application Development - \$41,400**

The previous IT direction anticipated the growth in the application development staff skills to be proficient in developing mobile platform applications in-house. This effort included allocation for specialized mobile platform tools and training.

**Other Goods & Services Reductions - \$192,756**

The IT division will reduce their overall Goods & Services budget by \$192,756.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

N/A

**Performance Measure Detail**

N/A

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

This decision package will be detrimental to the agency strategy to use technology to effectively support business processes by reducing the funds and staffing available for improving the technology that automates the agency business processes.

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

**Strategy:** Use technology to effectively support business processes.

***Does this DP provide essential support to one or more of the Governor's Results Washington priorities?***

This decision package does not provide essential support to any of the Governor's Results Washington priorities. This decision package may be a detriment to the Governor's goal 5 (Efficient, Effective and Accountable Government) as it relates to a lean and efficient government that leverages technology to deliver services to stakeholders and the public we serve.

***What are the other important connections or impacts related to this proposal?***

Implementation of this decision package will reduce the services provided by the IT division to support the agency's mission of public safety, licensing and enforcement. Reduction of staff has a direct impact to meeting the needs of delivering technical solutions and services to all facets of the agency. Unrealized side effects are technical vendor management and administration of hosted systems, increased public disclosure requests, and a learning curve to the changing and evolving requests of the marijuana environment. Leveraging technology to effectively deliver the software applications to virtual desktops and improved telephone communications are strategies that we intended to deploy for a more effective government agency. The reduction impact to technology directly affects the entire agency.

***What alternatives were explored by the agency, and why was this alternative chosen?***

None.

***What are the consequences of adopting or not adopting this package?***

The consequences of adopting this decision package are reduced services provided by the IT division to support the agency's mission of public safety and the risk of systems worsening to the point of directly affecting the customers of the agency.

***What is the relationship, if any, to the state's capital budget?***

None.

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None.

***Expenditure and revenue calculations and assumptions***

The expenditures would be split equally between fiscal years.

***Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

The estimates are considered ongoing.

<b><u>Object Detail</u></b>	<b><u>FY2016</u></b>	<b><u>FY2017</u></b>	<b><u>Total</u></b>
A Salaries	(\$58,656)	(\$58,656)	(\$117,312)
B Benefits	(18,599)	(18,599)	(37,198)
E Goods & Services	(913,675)	(913,675)	(1,827,350)
<b>Total objects</b>	<b>(\$990,930)</b>	<b>(\$990,930)</b>	<b>(\$1,981,860)</b>

State of Washington  
Decision Package

Agency: **195 Liquor Control Board**

Decision Package Code/Title: **A2 - REDUCTION OF ADMINISTRATIVE FUNDING**

Budget Period: **2015 - 2017**

Budget Level: **PL - Performance Level**

**Recommendation Summary Text:**

The Washington State Liquor Control Board (WSLCB) is rebasing their operating budget per direction from the Office of Financial Management (OFM) in a memo dated June 13, 2014. This will be partly achieved through reduction of administrative staff positions, eliminating the budget for agency pool cars, reducing the agency training budget, and reducing the facilities budget.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
501-1 Liquor Revolving Account-State	(\$544,848)	(\$544,848)	(\$1,089,696)
	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Annual Average</u></b>
<b>Staffing</b>			
FTEs	(4.5)	(4.5)	(4.5)

**Package Description:**

The Office of Financial Management (OFM) has directed agencies to rebase their operating budget to 15 percent below the existing maintenance level. The WSLCB's reduction will be partly achieved by reducing administrative staff positions, eliminating the funding for the agency pool cars, reducing the agency training budget, and reducing the facilities budget.

Eliminate Administrative Staff Positions: (\$671,345)

Washington Management Service (WMS) 3 position:

The elimination of a WMS 3 position is estimated to accomplish a net savings of \$109,326 per year. Job duties currently being accomplished by this position include:

- Direct the agency's performance accountability program under the State's Results Washington Program.

- Lead agency strategic planning efforts.
- Oversee and maintain agency's operational policies and procedures.
- Agency's small business liaison.

These duties would be reduced or eliminated. Agency participation would be significantly reduced at the statewide level. The WSLCB would ensure responsibilities required by Governor's Directive and Executive Order is maintained by remaining personnel. Customer expectations and results may be negatively impacted by placing this additional workload on remaining personnel.

Administrative Assistant 5 position:

The elimination of the Administrative Assistant 5 position is estimated to accomplish a net savings of \$70,818 per year. This position supports the Director's Office; eliminating the position will directly impact services to stakeholders. Current job duties would be spread among remaining personnel within the unit.

Contract Specialist 2 position:

The elimination of a Contract Specialist 2 position is estimated to accomplish a net savings of \$51,048 per year. Job duties currently being accomplished by this position would be absorbed by other personnel within the unit. This would have the detrimental effect of increasing the workload on remaining personnel and increasing turnaround time on Request for Proposal (RFP) and larger procurements by several months. This could put the WSLCB at risk for not meeting critical deadlines as it pertains to contracts and services needed by the agency's Information Technology, Licensing and Enforcement divisions to carry out the agency's mission and statutory obligations.

Administrative Assistant 4 position:

The WSLCB would eliminate the Administrative Assistant 4 position in the Human Resources office, saving \$64,998 per year. This position supports the HR Director and eliminating the position will significantly hamper the HR Director's ability to function efficiently and effectively. It will also result in the HR director performing administrative support functions thereby underutilizing the position and significantly impeding the ability to perform key strategic functions.

Reduce a Human Resources Consultant 3 position to part-time:

The Human Resources Consultant 3 position would be reduced to part-time, saving \$39,483 per year. The HRC3 is the agency wellness coordinator and is responsible for implementing the governor's initiative on Wellness. This position also provides consultative service for two divisions, is our data security administrator for the Human Resource Management System (HRMS), and is the lead worker for employee data into HRMS.

Reduce agency training budget: (\$21,986)

The WSLCB's core training budget would be reduced by \$21,986 to better reflect actual training costs. The agency has been able to save expenses on core training in recent years by a shift to more online and in-house training.

Reduce pool car funding and vehicle maintenance costs: (\$51,920)

The WSLCB has funding for two pool cars and vehicle maintenance. The funding for these will be reduced.

Reduce Facilities budget: (\$38,632)

This budget is used to pay expenses related to the WSLCB headquarters building, such as rent, utilities, some mail costs, and building improvements. This budget will be reduced, which will affect the agency's ability to pay for conference room improvements and office remodeling.

Reduce Goods and Services, Travel, and Capital Outlays: (\$305,813)

Goods & Services, Travel, and Capital Outlay budgets associated with the reduction of administrative staff would be reduced, saving \$305,813. Reductions in training costs would have an adverse effect on training opportunities for executive and management personnel. Reductions in printing will impact customers and stakeholders' ability for access to educational material on alcohol and marijuana education. Reduction in travel costs will have a detrimental impact on the agency executives' ability to participate in state and national conferences where topics related to alcohol, marijuana, licensing and tribal relations are discussed. A reduction in the capital outlay budget will make it more difficult to replace outdated or broken furniture or equipment.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

**Performance Measure Detail**

N/A

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

This decision package will have a negative impact on the WSLCB's ability to effectively manage internal controls, provide excellent customer service, focus on process improvement, be results driven, and provide employees with growth opportunities.

**Goal:** 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.

**Strategy:** Create a retail liquor licensing/regulatory model that is flexible to the business community, easy to administer yet provides effective public safety controls.

**Goal:** Educate and engage licensees, the public and other stakeholders in addressing issues related to alcohol, cannabis and tobacco.

**Strategy:** Enhance coordination and collaboration of statewide efforts.  
**Strategy:** Educate and engage media, stakeholders, communities, general public.  
**Strategy:** Continue and expand education and information for licensees.

**Goal:** Recruit, develop, retain and value a highly competent and diverse workforce capable of responding quickly and effectively to challenges in the regulatory and business environment.  
**Strategy:** Develop a successful mid-management training/succession program that will address shifts in leadership, key/mission critical and technical roles, resulting in a stream of qualified and diverse candidates to fill vacancies.

This decision package will have a negative effect on the ability of the Support Services unit to continue providing excellent customer service and focusing on process improvement.

**Goal:** Create a culture that fosters excellent customer service, open communication, transparency, accountability, data driven decisions, and business initiated process improvement including the use of integrated technology  
**Strategy:** Implement a continuous process improvement culture that focuses on performance, accountability, and best practices

*Does this DP provide essential support to one or more of the Governor's Results Washington priorities?*

This decision package does not provide essential support to any of the Governor's Results Washington priorities. This decision package may be a detriment to the Governor's goal 5 (Efficient, Effective and Accountable Government) as it relates to a lean and efficient government and it will have a negative impact on the agency's ability to effectively participate in Results Washington activities due to loss of the WMS3 position.

*What are the other important connections or impacts related to this proposal?*

The reduction of personnel in the Director's Office (WMS 3 and Administrative Assistant 5) will negatively impact the office's ability to effectively address agency needs.

The reduction of a Contract Specialist 2 will impact the agency's ability to meet important contract deadlines or for enforcement staff to have necessary tools to perform their duties such as firearms or cellphones. It would delay the development of licensing systems and negatively impact contract processing time.

The reduction of personnel in the Human Resources unit (Administrative Assistant 4 and part-time HRC3) will result in an unsustainable workload in the unit. Prior to the passing of Initiative 1183 (privatization of liquor), the WSLCB had 14 FTE's performing HR functions and contracted out most of its training functions. Subsequent to I-1183, the HR office laid off seven employees and reallocated a WMS manager to a Human Resource Consultant 4. In addition, HR staff now conducts in-house trainings in sexual harassment, diversity, new employee orientation and some Performance Development Planning (PDP) training. These changes have resulted in high workload that will not be sustainable if these positions are reduced.

*What alternatives were explored by the agency, and why was this alternative chosen?*

None.

*What are the consequences of adopting or not adopting this package?*

The consequences of not adopting this package would be that the WSLCB does not reach its 15% reduction target.

*What is the relationship, if any, to the state's capital budget?*

None.

*What changes would be required to existing statutes, rules, or contracts, in order to implement the change?*

None.

*Expenditure and revenue calculations and assumptions*

None.

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

All costs are ongoing as this would rebase the agency's budget at a lower level.

<b><u>Object Detail</u></b>	<b><u>FY2016</u></b>	<b><u>FY2017</u></b>	<b><u>Total</u></b>
A Salaries	(\$254,034)	(\$254,034)	(\$508,068)
B Benefits	(81,638)	(81,638)	(163,276)
E Goods & Services	(151,147)	(151,147)	(302,294)
G Travel	(54,429)	(54,429)	(108,858)
J Capital Outlays	(3,600)	(3,600)	(7,200)
<b>Total objects</b>	<b>(\$544,848)</b>	<b>(\$544,848)</b>	<b>(\$1,089,696)</b>

State of Washington  
Decision Package

Agency: **195 Liquor Control Board**

Decision Package Code/Title: **A3 – REDUCTION OF FINANCE DIVISION FUNDS**

Budget Period: **2015 - 2017**

Budget Level: **PL – Performance Level**

**Recommendation Summary Text:**

The Washington State Liquor Control Board (WSLCB) is rebasing their operating budget per direction from the Office of Financial Management (OFM) in a memo dated June 13, 2014. This will be partially achieved by eliminating a Washington Management Service (WMS) position, three audit staff positions and reclassifying a WMS position to a General Service position.

**Fiscal Detail**

Operating Expenditures	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
501-1 Liquor Revolving Account-State	(\$441,467)	(\$441,467)	(\$882,934)
Staffing	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Annual Average</u></b>
FTEs	(4.0)	(4.0)	(4.0)

**Package Description:**

The Office of Financial Management (OFM) has directed agencies to rebase their operating budget to 15 percent below the existing maintenance level. The WSLCB will achieve a portion of the 15% by eliminating a WMS position, three audit staff positions and reclassifying a WMS position to a General Service position.

Eliminated Positions (\$640,988)

WMS Band 2 position:

The elimination of a WMS Band 2 position results in an estimated net savings of \$108,040 per year in salary and benefits.

Audit staff positions:

The elimination of three Auditor 4 positions results in an estimated net savings of \$212,454 per year in salary and benefits. The responsibilities of these positions are to conduct audits on the financial records of licensees who produce, purchase, and sell liquor in order to evaluate the accuracy of their tax and fee payments to the WSLCB, resolve reporting and payment errors, and to ensure the licensees are maintaining compliance with current state laws.

Goods and Services and Travel (\$199,294)

The goods and services and travel budgets associated with the elimination of the WMS Band 2 position and three audit staff positions would also be eliminated, an estimated net savings of \$99,647 per year.

Reclassify a WMS Band 3 position to a General Service position (\$42,652)

The result of reclassifying a WMS Band 3 position to a General Service Budget Analyst 4 position is an estimated annual savings of \$21,326 in salary and benefits.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

N/A

**Performance Measure Detail**

N/A

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

Adoption of this decision package will be detrimental to the WSLCB's ability to successfully follow through with the agency's strategy to create a retail liquor licensing/regulatory model that is easy to administer as the package reduces the funds and staffing available to perform tax and fee audits on liquor licensees by approximately 33%, minimizing opportunities to collect revenue due to the state and ensure compliance with state laws.

**Goal:** 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

**Strategy:** Create a retail liquor licensing/regulatory model that is flexible to the business community, easy to administer yet provides effective public safety controls

***Does this DP provide essential support to one or more of the Governor's Results Washington priorities?***

This decision package does not provide essential support to any of the Governor's Results Washington priorities. However, this decision package may be a detriment to the Governor's goal 5 (Efficient, Effective and Accountable Government) as it relates to a lean and efficient government.

***What are the other important connections or impacts related to this proposal?***

As of June 1, 2012, all liquor sales were privatized as a result of Initiative 1183 (I-1183) which moved retail spirit sales out of WSLCB state operated and contracted liquor stores and created a spirits retail license that allowed spirits to be sold in retail outlets such as grocery stores and specialty shops, increasing the number of spirit retailers from approximately 330 prior to I-1183 to approximately 1,400 as of September 2014. A holder of the spirits retail license is required by RCW 66.24.630 to pay a license issuance fee equal to seventeen percent of all spirits sales revenues. The fee payments are due quarterly in arrears to the WSLCB.

In order to ensure the accuracy of their quarterly license issuance fee payments and reporting records, it's necessary for the WSLCB audit staff to conduct regular audits on the spirit retail licensees. The WSLCB currently has an audit staff consisting of nine Auditor 4's who conducted 153 spirit retail license issuance fee audits throughout the state in fiscal year 2014 that resulted in \$723,500 being identified for collection, an average of \$80,389 per WSLCB Auditor 4.

Also in fiscal year 2014, the WSLCB audit staff conducted an additional 209 tax audits on licensees who produce, purchase, or sell beer and or wine and identified \$25,000 in taxes to be collected, bringing the total tax and fee amount identified for collection by the WSLCB audit staff in fiscal year 2014 to \$748,500, an average of \$83,167 per WSLCB Auditor 4, that would have likely gone unrecognized and uncollected had the audits not be conducted.

***What alternatives were explored by the agency, and why was this alternative chosen?***

None

***What are the consequences of adopting or not adopting this package?***

The consequence of adopting this package is that it limits the available resources necessary for the WSLCB to remain successful in achieving its mission of promoting public safety by consistent and fair administration of liquor laws.

The number of liquor licensee audits conducted per year will be reduced by approximately 33% and the period of time between audits of each liquor licensee will be extended which results in lost opportunities to identify and collect liquor tax and fee revenue due to the state and decreased compliance with state laws by the licensees.

*What is the relationship, if any, to the state's capital budget?*

None

*What changes would be required to existing statutes, rules, or contracts, in order to implement the change?*

None

*Expenditure and revenue calculations and assumptions*

Expenditure Calculations and Assumptions

The funding proposed to be eliminated in this package is resulting from the elimination of a WMS position, three audit staff positions and reclassifying a WMS position to a General Service position. The eliminated funding represents the salary and benefits, goods and services, travel and vehicle budgets for the eliminated positions. Additionally, the portion of salary and benefits no longer needed as a result of reclassifying a WMS Band 3 position to a General Service Budget Analyst 4 position is also included in the funding proposed to be eliminated.

Revenue Calculations and Assumptions

No additional revenue is associated with this decision package.

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

All cost estimates are ongoing as this would rebase the agency's budget at a lower level.

<u>Object Detail</u>	<u>FY2016</u>	<u>FY2017</u>	<u>Total</u>
A Salaries	(\$262,696)	(\$262,696)	(\$525,392)
B Benefits	(79,124)	(79,124)	(158,248)
E Goods & Services	(67,820)	(67,820)	(135,640)
G Travel	(31,827)	(31,827)	(63,654)
<b>Total objects</b>	<b>(\$441,467)</b>	<b>(\$441,467)</b>	<b>(\$882,934)</b>

State of Washington  
Decision Package

Agency: **195 Liquor Control Board**

Decision Package Code/Title: **A4 – REDUCTION OF LICENSING FUNDING**

Budget Period: 2015 - 2017

Budget Level: PL – Performance Level

**Recommendation Summary Text:**

The Washington State Liquor Control Board (WSLCB) is rebasing their operating budget per direction from the Office of Financial Management (OFM) in a memo dated June 13, 2014. All activities performed by the Licensing division are statutorily mandated with the exception of the Education and Outreach Program. This program serves as an important tool used to achieve the goals in the agency's strategic plan. However, the elimination of this program is the division's only viable contribution toward the agency's rebasing of the operating budget.

**Fiscal Detail**

Operating Expenditures	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
501-1 Liquor Revolving Account-State	(\$531,830)	(\$531,830)	(\$1,063,660)
Staffing	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Annual Average</u></b>
FTEs	(6.0)	(6.0)	(6.0)

**Package Description:**

The Licensing division will eliminate the Education and Outreach Program. This Program is comprised of an Education and Outreach Manager, a Program Specialist 3, and 4 Program Specialist 2's. This Program is Licensing's field staff. Their primary duties are to engage licensees in person-to-person contact to clarify critical information about an applicant and/or an application, and to answer questions that current licensees and applicants may have about the licensing process. Program staff also educate and communicate with industry groups representing the manufacturing, importing, and distribution of liquor in Washington State.

## *Narrative Justification and Impact Statement*

*What specific performance outcomes does the agency expect?*

N/A

### **Performance Measure Detail**

N/A

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

Implementation of this decision package will negatively impact the agency's strategic plan, including the loss of educational outreach and its impact on voluntary compliance, the crux of the agency's mission. There will be no resources to achieve strategies related to the education goal adopted by the WSLCB.

**Strategy:** Educate and engage media, stakeholders, communities and the general public.

### **Key Objectives/Activities:**

1. Enhance outreach to the manufacturing and distribution tiers
2. Increase face-to-face time with applicants and licensees.

*Does this DP provide essential support to one or more of the Governor's Results Washington priorities?*

This decision package does not provide essential support to any of the Governor's Results Washington priorities. This decision package may be a detriment to the Governor's goal 5 (Efficient, Effective and Accountable Government) as it relates to a lean and efficient government. Licensing's ability to directly contribute to goal 5 1.1., to build customer confidence, will be relegated to the Enforcement and Education Division.

Elimination of the Education and Outreach program will remove all of the division's opportunities for person-to-person support of licensees and applicants. Licensing field staff is an essential aspect of fulfilling our public safety mandate as they perform duties that clarify critical information about an applicant and/or an application. In addition, increased delays in the investigation process will occur when an investigator's critical need for "boots on the ground" necessary for essential information gathering is not timely. An emerging need for any investigation must be met in a timely manner to ensure lawful granting of privileges to sell liquor in the state of Washington.

The resulting delays will also be reflected in licensing's application processing time (another part of goal 5), and the use of the Temporary Preapproved License (TPL) tool that enables applicants to launch operations earlier. In FY 2014, over 800 applicants received a TPL that provided an average of 42 days of additional operation in the distribution and sale of alcoholic beverages.

***What are the other important connections or impacts related to this proposal?***

The field duties related to applicant and licensee education and support would be realigned to the Enforcement and Education division, which is also understaffed and facing more reductions. The demand for services from applicants, licensees, and headquarters licensing staff continue to grow in proportion to the annual growth of licensees.

Another major element of the agency's strategic plan is to increase education and outreach capabilities to industry groups. These groups represent the manufacturing, importing, and distribution of liquor in the state of Washington. These industries have requested increasing the number of opportunities for their workforce to be better educated about the role of regulation in their business climate. Elimination of the Education & Outreach program will negate our ability to respond to industry requests, and increase the risk of noncompliance.

***What alternatives were explored by the agency, and why was this alternative chosen?***

None

***What are the consequences of adopting or not adopting this package?***

Adopting this package will be a setback in the delivery of our education and outreach program initiated in the 2013-15 biennium. The work, performed during the 2013-15 biennium, shaped our public presence of the agency's public safety mandate. These services promote the transparency and accountability requirements of the governor's Washington Results initiative.

***What is the relationship, if any, to the state's capital budget?***

None

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None

***Expenditure and revenue calculations and assumptions***

Six positions will be eliminated.

***Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

On-going expenditures for future biennia will be eliminated.

<b><u>Object Detail</u></b>	<b><u>FY2016</u></b>	<b><u>FY2017</u></b>	<b><u>Total</u></b>
A Salaries	(\$321,036)	(\$321,036)	(\$642,072)
B Benefits	(106,382)	(106,382)	(212,764)
E Goods & Services	(27,932)	(27,932)	(55,864)
G Travel	(76,480)	(76,480)	(152,960)
<b>Total objects</b>	<b>(\$531,830)</b>	<b>(\$531,830)</b>	<b>(\$1,063,660)</b>

State of Washington  
Decision Package

Agency: **195 Liquor Control Board**

Decision Package Code/Title: **A5 – REDUCTION OF ENFORCEMENT FUNDING**

Budget Period: **2015 - 2017**

Budget Level: **PL - Policy Level**

**Recommendation Summary Text:**

The Washington State Liquor Control Board (WSLCB), Enforcement & Education Division is rebasing their operating budget per direction from the Office of Financial Management (OFM) in a memo dated June 13, 2014. This will be achieved through staff and office space reductions.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
501-1 Liquor Revolving Account-State	(\$1,472,468)	(\$1,472,468)	(\$2,944,936)

<b>Staffing</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Annual Average</u></b>
FTEs	(15.0)	(15.0)	(15.0)

**Package Description:**

The Office of Financial Management (OFM) has directed agencies to rebase their operating budget to 15 percent below the existing maintenance level. The reduction will be achieved by eliminating two established programs: Tobacco Tax Enforcement (2 FTE's) and Centralized Settlement Hearings (2 FTE's). 11 additional FTE's will be eliminated across general enforcement operations. There will also be a 40 percent reduction in office space in one of our regional offices.

Liquor Enforcement Officer (LEO): 13

Hearings Officer: 1

Hearings Coordinator: 1

Regional office space reduction in Spokane by 40 percent

Tobacco Tax Program: 2 FTE's- Lieutenant (LEO4) and Officer (LEO2)

The WSLCB is assigned the duties of tobacco tax enforcement for the Washington State Department of Revenue (DOR). The Enforcement division is responsible for detecting non-compliance with the tobacco Master Settlement Agreement (MSA). Part of the overall tobacco program is task force participation.

Task force participation is comprised of two dedicated FTEs, a Lieutenant and an Officer, who work and maintain a state and federal partnership with the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF). Their primary functions are to inspect cigarette and other tobacco product retailers, wholesalers and distributors; they investigate and halt illegal shipments of contraband cigarettes and other tobacco products, leading to the identification of unpaid taxes. The elimination of this unit would negatively impact the agency's ability to continue a partnership with ATF and to detect contraband cigarettes entering Washington State.

General tobacco tax enforcement is also conducted by officers across the state in our area of general enforcement. Officers typically conduct a minimum of 24 inspections and audits on retailers selling Other Tobacco Products (OTP). In FY 2013, officers detected and referred over \$350,000 for tax collection to the DOR. Although this activity is not directly linked to the ATF task force, the reduction of FTEs in general enforcement will eliminate this task from being conducted. This will increase non-compliance with OTP tax laws, eliminate detection of illegal tobacco tax activity, and increase referrals of tax assessments to the DOR.

The last area of tobacco work impacted by this reduction is MSA compliance enforcement. Reducing general enforcement staff will also result in not being able to meet the due diligence of enforcement threshold expected under the MSA. By discontinuing tobacco tax enforcement and MSA efforts, the state will potentially lose millions in tax revenue and risks losing a percentage or all of the pending settlement payments. One state, Indiana, lost \$63 million in settlement payments for FY2014 for lack of enforcement.

Centralized Alternative Dispute Resolution Unit: 2 FTE's (Hearings Officer 3 and AA2)

The division expects that as a result of the loss of the Hearings unit (Hearings Officer 3 and AA2) the Alternative Dispute Resolution (ADR) hearings will need to revert back to field operations and be the responsibility of the enforcement Captains, similar to a previous model. Eliminating a dedicated Hearings Officer FTE will compromise consistency in ADR processes, create delays in processing time, decrease oversight and accountability, and decrease the division's ability to identify statewide training needs in report writing and case development.

Transitioning the work to field operations will mean the Captains and the Commander will be discussing the violations with licensees from around the state, offering mitigation, and trying to reach settlements on the penalties imposed for liquor, cannabis, or tobacco violations. As each Captain and the Commander have different styles and approaches, variants in handling ADR cases will be present. Processes in accordance to statutes, rules, and agency policies may differ from each ADR conducted due to multiple staff conducting settlements, levels of training in mediation and negotiation, and direct feedback from subordinates which potentially decreases neutrality when conducting settlement hearings. These variations could lead to increases in administrative hearings handled by the Attorney General's Office which would increase administrative costs for

the agency. In addition, the Brief Adjudication Process (BAP) for alcohol would also need to be reassigned.

#### 9 FTE's - 8 Enforcement Officers (LEO 2) and 1 Sergeant (LEO 3)

The elimination of eight officers and one sergeant in retail liquor enforcement will require the realignment areas of responsibility in each region. This realignment will result in an increase in licensed premises per officer ratio, the discontinuing of all tobacco enforcement efforts detailed above, and reduce public safety operations associated with compliance checks, premises checks, and educational classes provided to licensees and their staff.

Projected impacts include:

- Increase of licensee to officer ratio from an average of 267 per officer to 318 per officer
- Decrease of annual premises checks by over 6000 checks
- Decrease of annual compliance checks by an estimated 800
- Increased complaint / investigation load of approximately 20% per officer
- Elimination of tobacco tax referrals to the Department of Revenue of an estimated \$500,000 annually
- Reduced ability to offer educational classes for licensees and staff

The reduction of the LEO 3 Sergeant position has the same impact as the LEO 2. The LEO 3 is a training officer, and 1 is assigned per team. Based on previous reductions and reorganization, one team in the state currently has two LEO 3 positions.

#### 2 FTE's- Lieutenants (LEO 4)

One lieutenant is currently dedicated to act as a liaison between the city of Seattle and the WSLCB. The elimination of this position not only reduces the level of service provided to the largest city in the state with the highest number of licensees and special occasions, it also eliminates the ability to reorganize within the region to adjust for span of control concerns. Those duties currently being handled by this lieutenant would be transferred to other employees further reducing their ability to focus on core operational tasks and related issues.

The second lieutenant would be a field lieutenant in the northwest region. This region traditionally has a lighter complaint load, and the three teams could be merged into two teams without each remaining lieutenant having an excessive span of control. The resulting impact would be a decrease in field work activities for the remaining lieutenants, impacting their ability to maintain high levels of customer service, effective partnerships with local law enforcement, and oversight of officer's daily activities. It is anticipated the remaining lieutenants would increase their office administrative time by 33 percent.

#### Lease Cost Savings

The regional office space in Spokane will be reduced by 40%.

### **Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

N/A

**Performance Measure Detail**

N/A

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

The LCB will not be able to adequately regulate liquor and tobacco laws without the funding.

**Goal:** 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

**Strategy:** Enhance the LCB's effectiveness in addressing liquor and cannabis-related public safety issues

*Does this DP provide essential support to one or more of the Governor's Results Washington priorities?*

The proposed reductions will negatively impact Results Washington Goals 4 (Healthy and Safe Communities) and 5 (Efficient, Effective and Accountable Government), as it relates to impaired driving reduction and state efficiencies for licensees and other stakeholders.

*What are the other important connections or impacts related to this proposal?*

There may be unknown collective bargaining effects as a result of the decision to eliminate positions.

*What alternatives were explored by the agency, and why was this alternative chosen?*

The Enforcement Division considered reducing additional headquarters support and an enforcement captain position. Due to the shifting of work from the Hearings Officer position to the field, and added oversight involved with marijuana enforcement operations, the Captain position is too essential to be cut. Additionally, the headquarters office currently struggles to support business operations and field requests; therefore, reducing support further would be detrimental to field activities, division goals, and the overall agency mission.

*What are the consequences of adopting or not adopting this package?*

The consequences of not adopting this package would be that the agency does not reach its 15% reduction target. Adopting this proposal will result in diminished results towards agency public safety goals.

*What is the relationship, if any, to the state's capital budget?*

None.

*What changes would be required to existing statutes, rules, or contracts, in order to implement the change?*

The lease contract in Spokane may need to be renegotiated. There are also unknown collective bargaining effects as a result of the decision to eliminate positions.

*Expenditure and revenue calculations and assumptions*

Assumptions include loss of state revenue based on historical recovery, and extremely high risk in not complying with the tobacco Master Settlement Agreement.

Expenditure assumptions assume fully loaded costs for employees, including vehicle and travel costs.

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

All reductions in costs are assumed to be ongoing.

<b><u>Object Detail</u></b>	<b><u>FY2016</u></b>	<b><u>FY2017</u></b>	<b><u>Total</u></b>
A Salaries	(\$872,519)	(\$872,519)	(\$1,745,038)
B Benefits	(275,931)	(275,931)	(551,862)
E Goods & Services	(219,238)	(219,238)	(438,476)
G Travel	(104,780)	(104,780)	(209,560)
<b>Total objects</b>	<b>(\$1,472,468)</b>	<b>(\$1,472,468)</b>	<b>(\$2,944,936)</b>

State of Washington  
Decision Package

**Agency:** **195 Liquor Control Board**

**Decision Package Code/Title:** N0 – RESTORATION OF ENFORCEMENT FUNDING

**Budget Period:** 2015 - 2017

**Budget Level:** PL – Performance Level

**Recommendation Summary Text:**

The Washington State Liquor Control Board’s (WSLCB) Enforcement & Education Division proposes to reestablish two programs, Tobacco Tax Enforcement (2 FTE’s) and Centralized Settlement Hearings (2 FTE’s), assumed eliminated in agency decision package A8-Reduction of Enforcement & Education Funding. The division also proposes to restore 11 general enforcement officers (11 FTE’s) and maintain needed office space in Spokane.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
501-1 Liquor Revolving Account-State	\$1,472,468	\$ 1,472,468	\$2,944,936

<b>Staffing</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Annual Average</u></b>
<b>FTEs</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>

**Package Description:**

The Enforcement and Education Division has three primary areas of responsibility: Liquor Enforcement, Marijuana Enforcement, and Tobacco Enforcement. The FTEs previously identified in the 15 percent budget reduction proposal and outlined above, are critical positions to ensure due diligence of enforcement and consistency in operations and application of law.

The division will maintain two established programs: Tobacco Tax Enforcement and Centralized Settlement Hearings; retain 11 general enforcement officers identified in the reduction proposal; and retain office space in our only regional office that services an area covering counties from Canada to Oregon across the eastern border of the state.

Liquor Enforcement Officer (LEO): 13  
Hearings Officer: 1  
Hearings Coordinator: 1

Tobacco Tax Program: 2 FTE's- Lieutenant (LEO4) and Officer (LEO2)

The WSLCB is assigned the duties of tobacco tax enforcement for the Washington State Department of Revenue (DOR). The Enforcement division is responsible for detecting non-compliance with the tobacco Master Settlement Agreement (MSA).

Task force participation is comprised of two dedicated FTEs, a Lieutenant and an Officer, who work and maintain a state and federal partnership with the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF). Their primary functions are to inspect cigarette and other tobacco product retailers, wholesalers and distributors; they investigate and halt illegal shipments of contraband cigarettes and other tobacco products, leading to the identification of unpaid taxes. If the agency were unable to retain this unit, it would negatively impact the agency's ability to continue a partnership with ATF and to detect contraband cigarettes entering Washington State.

General tobacco tax enforcement is also conducted by officers across the state in our area of general enforcement. Officers typically conduct a minimum of 24 inspections and audits on retailers selling Other Tobacco Products (OTP). This is in addition to routine premises visits for general youth access and spot checks for tax compliance. In FY 2013, officers detected and referred over \$350,000 for tax collection to the DOR. Although this activity is not directly linked to the ATF task force, if the 11 general enforcement officers listed below are not restored, this task cannot be conducted. Lack of sufficient officers will increase non-compliance with OTP tax laws, eliminate detection of illegal tobacco tax activity, and cause tax assessments to be referred to the Department of Revenue.

The last area of tobacco work impacted by this reduction is MSA compliance enforcement. General enforcement staff will continue to contribute to the state's due diligence of enforcement threshold expected under the MSA. Tobacco Tax enforcement and MSA efforts mitigate the risk of the state losing over \$100 million annually for lack of enforcement of the MSA. One state, Indiana, lost \$63 million in settlement payments for FY2014 for lack of enforcement.

Centralized Alternative Dispute Resolution Unit: 2 FTE's (Hearings Officer 3 and AA2)

This program brings consistency and continuity to case review, identifies areas to reduce risk, and provides equity in application of settlement agreements on a statewide basis. The division expects that if the Hearings Unit is not restored, the Alternative Dispute Resolution (ADR) hearings will need to revert back to field operations and be the responsibility of the enforcement Captains, similar to a previous model. If unable to retain a dedicated Hearings Officer, there will be compromised consistency in ADR processes, delays in processing time, decreased oversight and accountability, and decreased ability to identify statewide training needs in report writing and case development.

If the Hearings Officer is not retained, the work would be transferred to field operations, which will mean the Captains and the Commander will be discussing the violations with licensees from around the state, offering mitigation, and trying to reach settlements on the penalties imposed for

liquor, cannabis, or tobacco violations. As each Captain and the Commander have different styles and approaches, variants in handling ADR cases will be present. Processes in accordance to statutes, rules, and agency policies may differ from each ADR conducted due to multiple staff conducting settlements, levels of training in mediation and negotiation, and direct feedback from subordinates which potentially decreases neutrality when conducting settlement hearings. These variations could lead to increases in administrative hearings handled by the Attorney General's Office which would increase administrative costs for the agency. In addition, the Brief Adjudication Process (BAP) for alcohol would also need to be reassigned.

In addition to meeting statewide consistency and continuity needs, the hearings program allows Captains and the Commander to focus their efforts on managing daily enforcement operations of their respective units. If the Hearings Unit is not reinstated, the potential added workload for the Captains and Commander will impact their ability to be responsive in other areas, such as law enforcement partnerships, investigation oversight, employee relations, customer service responses and presentations, and participation in rule making and legislative review.

#### 9 FTE's - 8 Enforcement Officers (LEO 2) and 1 Sergeant (LEO 3)

If not retained, the loss of eight officers and one sergeant in retail liquor enforcement will require the realignment areas of responsibility in each region. This realignment will result in an increase in licensed premises per officer ratio, the discontinuing of all tobacco enforcement efforts detailed earlier, and reduce public safety operations associated with compliance checks, premises checks, and educational classes provided to licensees and their staff.

If the officers are not reinstated, projected impacts include:

- Increase of licensee to officer ratio from an average of 267 per officer to 318 per officer
- Decrease of annual premises checks by over 6000 checks
- Decrease of annual compliance checks by an estimated 800
- Increased complaint and investigation load of approximately 20% per officer
- Elimination of tobacco tax referrals to the Department of Revenue of an estimated \$500,000 annually
- Reduced ability to offer educational classes for licensees and staff
- Increased risk of non-compliance with the MSA, impacting the state's ability in the area of demonstrating due diligence of enforcement. Fines for non-compliance could cost the state up to the maximum of annual payment, which would be in excess of \$100 million per calendar year.

The reduction of the LEO 3 Sergeant position has the same impact as the LEO 2. The LEO 3 is a training officer, and 1 is assigned per team.

#### 2 FTE's- Lieutenants (LEO 4)

One lieutenant is currently dedicated to act as a liaison between the city of Seattle and the agency. If not retained, the elimination of this position will not only reduce the level of service provided to the largest city in the state with the highest number of licensees and special occasions, it also will eliminate the ability to reorganize within the region to adjust for span of control concerns. Those

duties currently being handled by this lieutenant would be transferred to other employees, further reducing their ability to focus on core operational tasks and related issues.

The second lieutenant is a field lieutenant in the northwest region. If not retained, the resulting impact would be a decrease in field work activities for the remaining lieutenants, impacting their ability to maintain high levels of customer service, effective partnerships with local law enforcement, and oversight of officer's daily activities. It is anticipated this would result in the remaining lieutenants in the region increasing their office administrative time by 33 percent.

### Lease Cost Savings

The regional office space in Spokane is a critical office, as it is the only office in Eastern WA that is open to the general public. It is also the base of operations for counties stretching from Canada to Oregon, providing shared space for enforcement officers, FDA (Food & Drug Administration) inspectors, outlets for agency internal auditors, and is the primary temporary holding area for regional evidence.

If the division were required to shrink the size of the leased space due to funding not being restored, the ability to hold regional evidence and provide critically needed office space would be severely hampered.

### **Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

N/A

### **Performance Measure Detail**

N/A

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

Division staff will be able to continue to regulate the Liquor, Marijuana, and Tobacco laws to meet the public safety demands and goals.

**Goal:** 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.

**Strategy:** Enhance the LCB's effectiveness in addressing liquor and cannabis-related public safety issues

**Strategy:** Create a retail liquor licensing/regulatory model that is flexible to the business community, easy to administer yet provides effective public safety controls

**Goal:** Educate and engage licensees, the public and other stakeholders in addressing issues related to alcohol, cannabis and tobacco

**Strategy:** Enhance coordination and collaboration of statewide efforts

**Strategy:** Educate and engage media, stakeholders, communities, general public

**Strategy:** Continue and expand education and information for licensees

*Does this DP provide essential support to one or more of the Governor's Results Washington priorities?*

Yes, the officers work towards Results Washington Goals 4 (Healthy And Safe Communities) and 5 (Efficient, Effective and Accountable Government), as they relate to impaired driving reduction and state efficiencies for licensees and other stakeholders.

*What are the other important connections or impacts related to this proposal?*

*What alternatives were explored by the agency, and why was this alternative chosen?*

No alternatives were explored by the agency. The reinstatement of these officers and office space is the highest buyback priority for the agency.

*What are the consequences of adopting or not adopting this package?*

The consequences of not adopting this package would be that the division implements a near 15% reduction. Not adopting this proposal will result in diminished results towards agency public safety goals and MSA compliance.

*What is the relationship, if any, to the state's capital budget?*

N/A

*What changes would be required to existing statutes, rules, or contracts, in order to implement the change?*

None. Retaining the officers and leased space would avoid changes to lease agreements and collective bargaining agreements.

*Expenditure and revenue calculations and assumptions*

Assumptions include loss of state revenue based on historical recovery, and extremely high risk in not complying with the tobacco Master Settlement Agreement.

Expenditure assumptions assume fully loaded costs for employees, including vehicle and travel costs.

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

All costs are assumed to be ongoing.

<b><u>Object Detail</u></b>	<b><u>FY2016</u></b>	<b><u>FY2017</u></b>	<b><u>Total</u></b>
A Salaries	\$872,519	\$872,519	\$1,745,038
B Benefits	275,931	275,931	551,862
E Goods & Services	219,238	219,238	438,476
G Travel	104,780	104,780	209,560
<b>Total objects</b>	<b>\$1,472,468</b>	<b>\$1,472,468</b>	<b>\$2,944,936</b>

State of Washington  
Decision Package

Agency: **195 Liquor Control Board**

Decision Package Code/Title: N1 – RESTORATION OF LICENSING FUNDING

Budget Period: 2015 - 2017

Budget Level: PL – Performance Level

**Recommendation Summary Text:**

The Washington State Liquor Control Board (WSLCB) is requesting restoration of funding for the Licensing division's Education and Outreach program. This program is an integral part of our customer-centric goals. Focus on the public-facing aspects of the liquor and marijuana licensing regulatory processes is vital to our success. The function of this unit is a critical facet of our agency realignment using LEAN process improvements to more completely embrace our public safety mandate and improve customer satisfaction.

**Fiscal Detail**

Operating Expenditures	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
501-1 Liquor Revolving Account-State	\$531,830	\$531,830	\$1,063,660
Staffing	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Annual Average</u></b>
FTEs	6.0	6.0	6.0

**Package Description:**

The WSLCB is requesting restoration of funding for the agency's Licensing Education and Outreach Program to enable the division to comply with the agency's strategic plan, and continue to contribute to the governor's goals of Results Washington.

This Program is comprised of an Education and Outreach Manager, a Program Specialist 3, and 4 Program Specialist 2's. This Program is Licensing's field staff. Their primary duties are to engage licensees in face-to-face contact to clarify critical information about an applicant and/or an application, and to answer questions that current licensees and applicants may have about the licensing process. Program staff also educate and communicate with industry groups representing the manufacturing, importing, and distribution of liquor in Washington state.

## **Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

N/A

### **Performance Measure Detail**

N/A

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

### **Strategy:**

Educate and engage media, stakeholders, communities and the general public. Person-to-person with our applicants and licensees, plus outreach to industry associations is an important part of achieving voluntary compliance.

### **Key Objectives/Activities:**

1. Enhance outreach to the manufacturing and distribution tiers
2. Increase person-to-person time with applicants and licensees.
3. Assess and improve the effectiveness of the MAST and Responsible Vendor programs.

*Does this DP provide essential support to one or more of the Governor's Results Washington priorities?*

### **Goal 4 Healthy and Safe Communities**

#### *Safe People - Traffic*

2.4.a Decrease the number of alcohol and/or drug impaired driver-involved fatalities

While no direct connection can be drawn from licensing activities, indirect influences can be reasonably assumed. Most licensees want to be compliant if they know and understand the regulatory scheme. Therefore, a knowledgeable licensee who is responsible leads to fewer driver impaired fatalities. The availability of licensing field staff broadens the influence of our public safety mandate by ensuring that newly licensed locations are operated by better informed persons. And that existing licensees have additional opportunities to seek guidance and assistance.

### **Goal 5 Efficient, Effective and Accountable Government**

#### *Customer Confidence*

1.3.a Increase/maintain timely delivery of regulatory/business services

The availability of licensing field staff dedicated to support licensees and applicants in the field is our tool for the agency's strategic plan to increase person-to-person time with applicants and

licensees, and is directly connected to our ability to increase customer confidence. Our work to-date has produced positive results demonstrated by the leading trends from the customer service survey implemented one year ago.

Person-to-person interaction with applicants enhances the understanding of our regulatory mandate with kindness and reassurance. The absence of police powers creates a more constructive interaction, and allays fear of legal reprisal that might negatively impact an applicant's business operation. As a result applicants freely ask for assistance in better understanding the regulatory system for alcohol and marijuana.

Response to inquiries and availability of field staff to assist an applicant on-site has been a morale booster for our headquarters staff. Communication and turnaround time has vastly improved when investigators need "boots on the ground" support to assist in investigations. Partnering with the investigator staff is a peer-to-peer learning experience that enhance the knowledge and expertise of all those involved.

The agency's strategic plan to enhance outreach to manufacturing and distribution tiers has a direct correlation with Goal 5. Given current staffing levels restoration of this program may produce some limited general results. Significant non-retail support by the education and outreach program can only be achieved as an add-on to current statewide staffing of 5 program specialists. Existing staff is focused on retail regulatory work because the numbers in this segment of the licensed population far exceed that of the non-retail segment. Existing staff has not been trained in the detailed knowledge or skill in the regulation of non-retail alcohol or marijuana.

Assess and improve the effectiveness of the MAST and Responsible Vendor programs – is not impacted by the proposed reduction or buy-back proposals.

*What are the other important connections or impacts related to this proposal?*

#### **Agency Performance Measurements:**

**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.**

The Education & Outreach program's field staff has successfully eased the transition of many applicants and licensees into new and more successful business models. The availability of person-to-person communication has proven to be invaluable given the complexity of our liquor regulatory scheme. Value of direct contact with applicants is demonstrated in the success rate of the Temporary Preapproved License (TPL). In FY 2014, 840 retail applicants successfully launched their business an average of 42 days early because they qualified to receive a TPL.

Launched in 2005, the TPL continues to provide enhanced economic opportunities for applicants while strengthening our public safety mandate. Use of the TPL enables licensees to launch their businesses more quickly, thereby increasing the odds for success in a somewhat volatile marketplace. In FY 2014, 840 retail applicants produced a total of 35,017 days of additional

licensing activity throughout the state, increasing all related tax and revenue sources.

**Educate and engage licensees, the public and other stakeholders in addressing issues related to alcohol, cannabis and tobacco.**

The Education and Outreach Program has an on-going customer service survey tool with which they reach out to newly licensed location owners. Since the enhancement of this program in February 2014, 94% of the respondents had at least one face-to-face interaction with the field licensing team.

In general the respondents rated licensing field staff in response to a question specific to on-site visits. 89% of these respondents rated their experience as excellent or very good. Generally, 90% of all respondents rated their overall satisfaction with licensing services as extremely and moderately satisfied.

*What alternatives were explored by the agency, and why was this alternative chosen?*

None

*What are the consequences of adopting or not adopting this package?*

Adoption of this package will enable the WSLCB to continue performing our field regulatory education program at its current level, Contacts made by field staff will continue to have a positive impact in the communities where alcohol and cannabis business activities are occurring.

Failure to adopt this package will be a setback in the delivery of our education and outreach program initiated in the 2013-15 biennium. The work, performed during the 2013-15 biennium, shaped our public presence of the agency's public safety mandate. These services promote the transparency and accountability requirements of the governor's Washington Results initiative.

Not adopting will result in core process realignment:

- All duties and core processes currently performed by the Education and Outreach unit would be realigned to the Enforcement and Education division.
- Education and outreach activities will be substantially reduced impacting the regulatory knowledge of license holders and therefore negatively impact voluntary compliance.
- Management of the MAST/RVP programs would be realigned by the division director.
- Response time for investigatory inquiries will be substantially increased by reduced field resources.

*What is the relationship, if any, to the state's capital budget?*

None

*What changes would be required to existing statutes, rules, or contracts, in order to implement the change?*

None

*Expenditure and revenue calculations and assumptions*

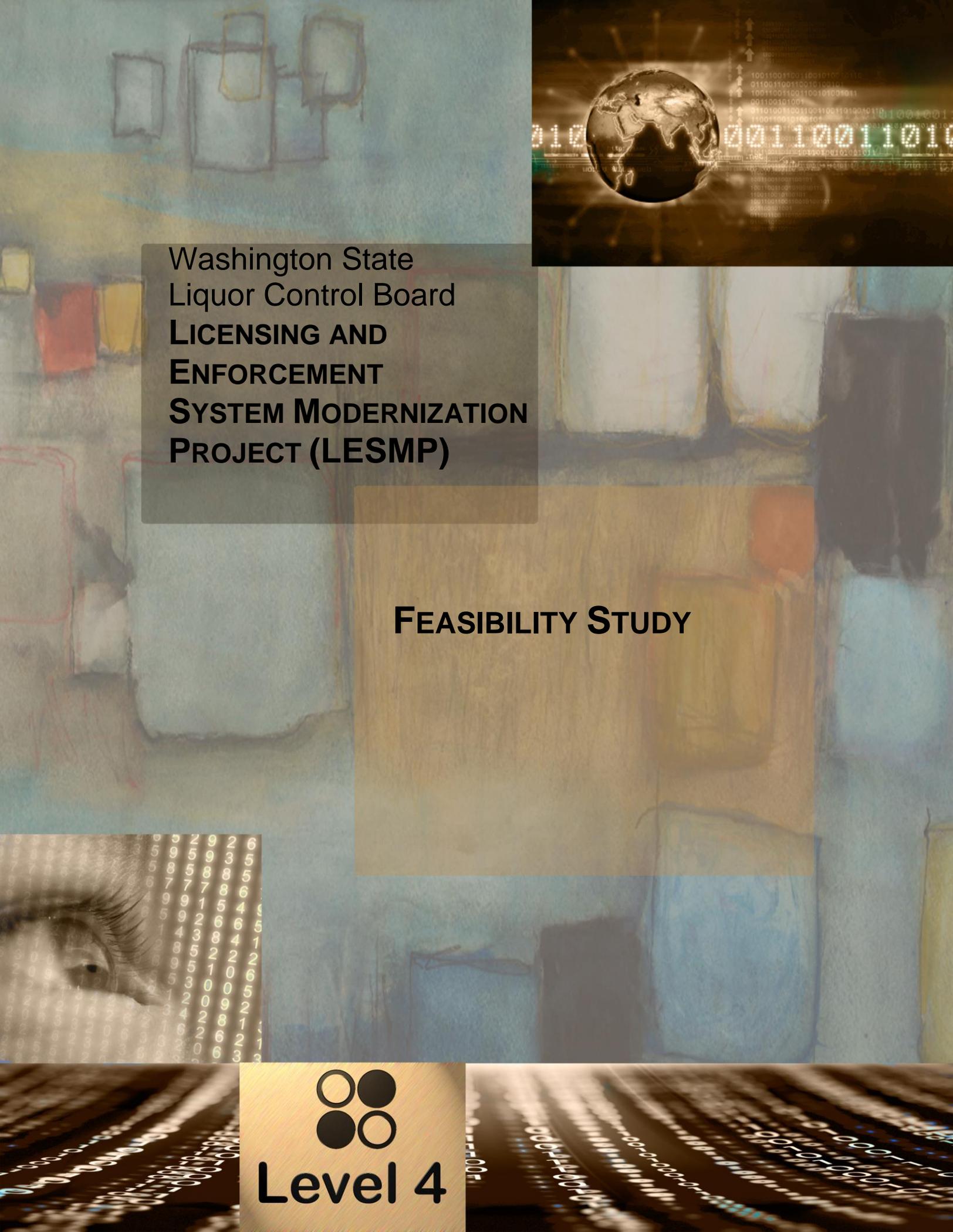
Expenditure assumptions:

The program will continue at the current staffing levels.

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

All expenditures will be on-going. Future biennia will include the '15-'17 biennium baseline as stated here.

<b><u>Object Detail</u></b>	<b><u>FY2016</u></b>	<b><u>FY2017</u></b>	<b><u>Total</u></b>
A Salaries	\$321,036	\$321,036	\$642,072
B Benefits	106,382	106,382	212,764
E Goods & Services	27,932	27,932	55,864
G Travel	76,480	76,480	152,960
<b>Total objects</b>	<b>\$531,830</b>	<b>\$531,830</b>	<b>\$1,063,660</b>



Washington State  
Liquor Control Board  
**LICENSING AND  
ENFORCEMENT  
SYSTEM MODERNIZATION  
PROJECT (LESMP)**

**FEASIBILITY STUDY**



<b>Title</b>	FEASIBILITY STUDY		
<b>Document #:</b>	N/A		
<b>Version:</b>	FINAL 1.1	<b>DATE:</b>	9/10/2014
<b>Author(s):</b>	WILLIAM ROETZHEIM		
<b>Customer:</b>	WASHINGTON STATE LIQUOR CONTROL BOARD (WSLCB)		
<b>Contract:</b>	K546		
<b>Project:</b>	LICENSING AND ENFORCEMENT SYSTEM MODERNIZATION PROJECT		
<b>Deliverable ID:</b>	3		

#### VERSION HISTORY

Version	Author	Date	Changes
Draft	WHR	8/26/2014	Original Draft
Final 1.0	WHR	9/3/2014	CRM 2014-09-03 changes incorporated
Final 1.1	WHR	9/10/2014	Split out IV&V and QA/QC

#### Approvals

Role	Name	Signature	Date
Author	William Roetzheim		9/10/2014
QM	Trupti Thangwal		9/10/2014
CEO	William Roetzheim		9/10/2014

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# 1 Executive Summary

The Washington State Liquor Control Board (WSLCB) is tasked with promoting public safety through consistent and fair administration of liquor and cannabis laws through education, voluntary compliance, responsible sales and preventing the misuse of alcohol, cannabis and tobacco. Factors that include the new licensing and enforcement activities related to cannabis, the requirement for flexibility to support specialized licenses, and the rapid growth in the number of licenses issued have created an environment of increased expectations on the agency, while their twenty-five year old COBOL based licensing application has not kept pace with the changing requirements. In a struggle to meet operational mandates, a patchwork of stand-alone or loosely integrated applications has evolved. These applications represent a serious risk to the agency and the state in the areas of data security, data integrity, and operational mission.

The proposed project will replace the WSLCB legacy licensing, enforcement, imaging and stand-alone applications with an integrated solution built around a Commercial Off-the-Shelf (COTS) product. The resultant solution will involve significantly less technical complexity than the current environment. As a result, risks related to data security, data integrity, and the potential catastrophic failure of existing systems will be removed, and:

- The community as a whole will experience better access to data as a result of improved on-line data access; and improved safety and quality of life due to increased enforcement activities.
- License holders and applicants will experience reduced processing time, better and timelier communication, and improved self service capabilities.
- WSLCB staff will be able to work more efficiently and better serve the customer therefore providing greater job satisfaction. Routine administrative follow-up and responses to client status queries will be minimized through a combination of automation and customer self-service. Enforcement officers will spend more time in the field performing enforcement and training activities, and less time performing administrative tasks.

This project will last roughly two years, and require up to four separate acquisitions: one for the implementation and commercial off-the-shelf (COTS) solution provider; one for the project oversight manager; one for the independent verification and validation (IV&V) vendor; and one for the independent Quality Assurance/Quality Control vendor.

The expected award value for the four acquisitions, plus the contingency budget using industry norms applied to different categories of purchases, is shown in Figure 1.

Acquisition Category	Estimate
Implementation Vendor	\$ 2,382,902
Project Oversight/Management	\$ 230,815
IV&V Vendor	\$ 146,948
QA/QC Vendor	\$ 193,896
Contingency	\$ 366,416
<b>TOTAL</b>	<b>\$ 3,320,978</b>

Figure 1: Estimated Acquisition Awards

The risk associated with proceeding forward with the project are medium as measured using the OCIO risk assessment survey, but the risks of doing nothing are very high. In a recent risk assessment of WSLCB operations, the number 1 and number 2 identified risks were the legacy system and data quality. The current systems place the agency and the state at an unacceptable position of risk.

## 2 Business Need

### 2.1 Background and Needs Assessment

#### 2.1.1 Background

The Washington State Liquor Control Board (WSLCB) is tasked with promoting public safety through consistent and fair administration of liquor and cannabis laws through education, voluntary compliance, responsible sales and preventing the misuse of alcohol, cannabis and tobacco<sup>1</sup>. The effort required to support the agency mission has been expanding due to three primary factors.

- First, the addition of licensing and enforcement activities related to cannabis, with complicated licensing requirements<sup>2</sup> plus significant enforcement activities at the production, distribution and retail operations<sup>3</sup>.
- Second, the requirement for flexibility to support specialized licenses. For example, liquor related legislation during 2013 included Substitute House Bill (SHB) 1001 creating a beer and wine theater license; Enhanced Substitute Senate Bill (ESSB) 5607 creating a spirits, beer and wine theater license; SHB 1009 allowing liquor self-checkout if conditions are met; HB 1149 allowing craft brewers to sell to consumers; House Bill (HB) 1351 authorizing breweries and microbreweries to private label their product; Senate Bill (SB) 5396 allowing spirits license holders to do spirits sampling in some situations; Substitute Senate Bill (SSB) 5517 changing the criteria for beer and wine tasting endorsements for grocery stores; and SB 5614 allowing beer and wine sampling at farmer's markets<sup>4</sup>.
- Third, the rapid growth in number of licenses issued (see Figure 2<sup>5</sup>) and the subsequent increase in activities related to license issue, transfer, and enforcement.

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<sup>1</sup> [WSLCB, Undated2], page 4.

<sup>2</sup> [WSLCB, 2014-07-16], all.

<sup>3</sup> [Minutes, 2014-07-15f], page 1.

<sup>4</sup> [WSLCB, Undated2], page 16-17.

<sup>5</sup> [WSLCB, 2012a], page 4.

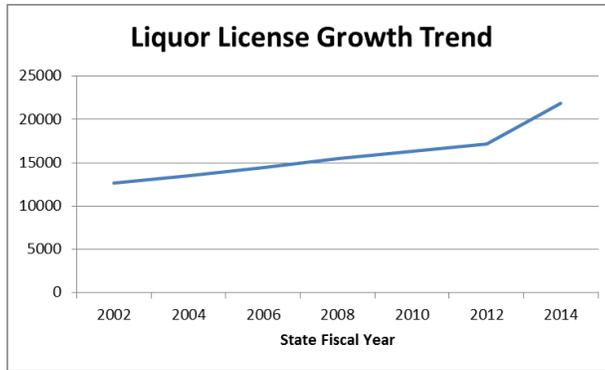


Figure 2: Liquor License Growth Trend

While these are the primary factors driving the activities of the WSLCB, the growth in requirements is pervasive and may be found in all areas of the organization. By way of example, Figure 3 shows the growth in banquet permits<sup>6</sup> and in public record document requests<sup>7</sup>.

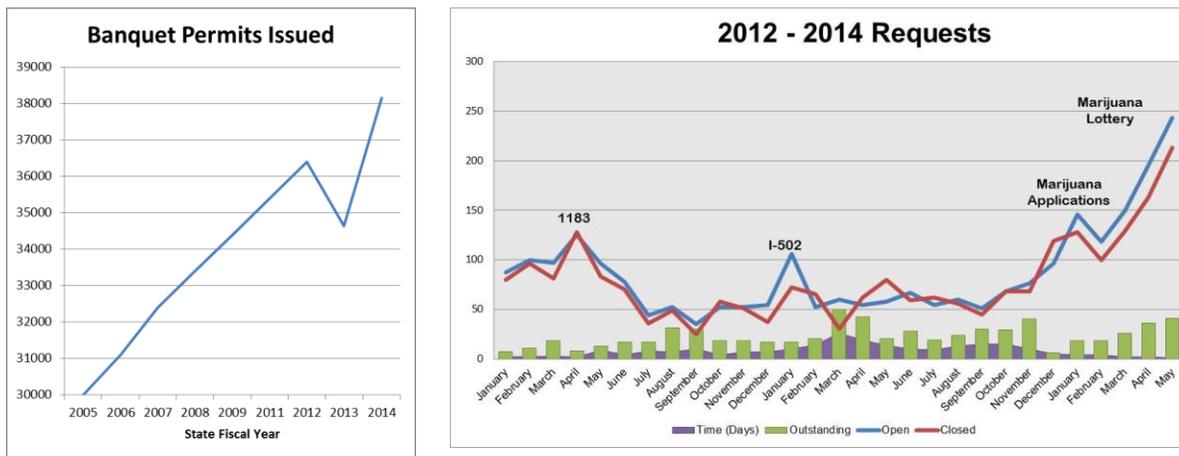


Figure 3: Banquet Permits and Public Document Request Growth

The WSLCB is on the frontline in minimizing the adverse societal impacts of the increased availability of liquor, and now cannabis. No-where is this more evident than with the impact on the youth of Washington. Like most states, underage drinking is a serious problem in Washington (see Figure 4<sup>8</sup>) and when driving is involved the consequences can be fatal (see Figure 5<sup>9</sup>). In August 2012, the Washington State Prevention Enhancement Policy Consortium submitted a five-year strategic plan for substance abuse prevention that concluded [emphasis added]<sup>10</sup>:

<sup>6</sup> [WSLCB, 2012a], page 11.

<sup>7</sup> [WSLCB, 2014-06-23b], page 3.

<sup>8</sup> From [www.askhys.net](http://www.askhys.net)

<sup>9</sup> [WS Consortium, 2012-07-12], page 83.

<sup>10</sup> Cited in [WSLCB, 2014-07e], page 1.

- a. Alcohol ranks highest of substance abuse problems in Washington State.
- b. Underage drinking remains the number one priority for prevention.
- c. Variables which affect this problem area include availability of alcohol, access to alcohol, and enforcement, including lack of enforcement or a perception of lack of enforcement.

**In assessing resources that would address this problem area, the Washington State Liquor Control Board was seen as one of the key partners for addressing enforcement of alcohol laws and policies.**



Figure 4: Alcohol Use by Underage Drinkers

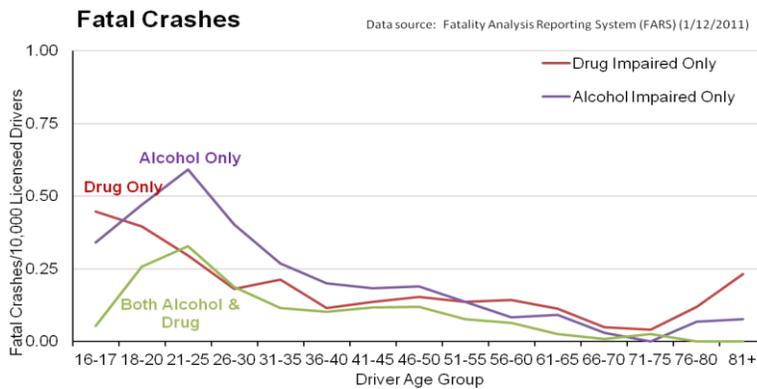


Figure 5: Fatal Crashes by Age Group

Enforcement does have an impact. In a study conducted by Flewelling, et.al.<sup>11</sup> researchers found significant associations between the level of underage drinking enforcement and reductions in both 30-day use of alcohol and binge drinking; a finding that reinforced an earlier study by Grube<sup>12</sup> which confirmed that reducing underage access to alcohol can have potentially significant effects on underage drinking behaviors.

## 2.1.2 Current Situation

WSLCB's core licensing application is a COBOL application written more than twenty-five years ago<sup>13</sup>. It lacks the capability to fully support the current WSLCB business mission, and as a result a series of grass-roots information technology patches have been used in an attempt to meet the agency operational requirements. These have included stand-alone Access applications, a document imaging application that is no longer supported by the manufacturer, and an Enforcement Notebook (EN) application that has deteriorated to the point where the agency is seriously considering moving back to completely manual processes for enforcement work<sup>14</sup>.

Some of the major deficiencies of the current information technology environment are as follows:

- Data integrity is a major concern. Data is stored using a combination of paper files, stand-alone desktop files, and on multiple different systems (e.g., licensing on the AS/400 and EN on the desktop)<sup>15</sup>. There is a lot of data redundancy, and the redundant data does not agree<sup>16</sup>. There are orphaned records in the EN database that cannot be accessed from the application but require direct Structured Query Language (SQL) Server utility program use to find and retrieve<sup>17</sup>. Historic data is erased by the system when licenses are transferred<sup>18</sup>. All of this makes it difficult to guarantee accurate management reports, to respond correctly to public records requests, and to ensure full regulatory compliance. Activities that require data access, including public records requests, reporting, and on-going business operations require extensive labor intensive manual work cross-checking data from the different data sources in an attempt to arrive at the correct composite data picture<sup>19</sup>.

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<sup>11</sup> [Flewelling, R.L., et. al., 2012], page all.

<sup>12</sup> [Grube, 1997], page 252

<sup>13</sup> Email confirmation from Corrigan, Damon (LCB).

<sup>14</sup> [Minutes, 2014-07-11c], page 1.

<sup>15</sup> [Minutes, 2014-07-11a], page 1.

<sup>16</sup> [Minutes, 2014-07-10c], page 1.

<sup>17</sup> [Minutes, 2014-07-10c], page 1.

<sup>18</sup> [Minutes, 2014-07-10d], page 1.

<sup>19</sup> [Minutes, 2014-07-11a], page 1.

- Data security is at risk. The current software does not support encryption and requires that copies of the data be stored locally on laptop machines for use in the field, resulting in significant security risks if a laptop is stolen<sup>20</sup>.
- Copies of data are stored throughout the facility on desktop computers with minimal or no configuration control. For example, we asked for a list of the stand-alone Access applications used that store data offline and found that no such list was available. A scan conducted at our request of the computers connected to the WSLCB network identified 96 unique Access databases after removing temporary databases and sample/demo databases from the scan results.<sup>21</sup> These ranged from likely relevant databases (e.g., Citation Tracking.mdb, Complaint.mdb, LicenseTracking.mdb) to databases that cannot be classified based on their name (e.g., A1907.mdb, depal.mdb, FieldOrd07.mdb). Without a thorough understanding of the nature of the data stored in each, and a method of placing that data under proper configuration control, the data must be considered as vulnerable.
- IT support to on-going business operations is at risk. During our interviews we were told that of all of the reports on the EN system, only one works<sup>22</sup>. We were told that if this initiative does not go forward, the strategy for the enforcement officers going forward is to revert to paper forms and hand-written notebooks<sup>23</sup>. WSLCB routinely create and use paper documents because the automated systems can't support their business requirements. During the week that we were conducting interviews, emergency maintenance fixes were required for both the AS/400 core business system<sup>24</sup> and the imaging system<sup>25</sup>.

## 2.2 Objectives

WSLCB recognizes the risk and inefficiencies represented by their current software environment, and in their Fiscal Year (FY) 13-15 Strategic Plan the agency identified the replacement of their legacy systems as a strategic objective.<sup>26</sup> The agency requires an information technology initiative to fix the current problems and provide an information technology solution with the following characteristics:

- Implemented using data structures and business logic to prevent redundant data storage; storage of duplicate logical records for the same physical entity; and assurance that data that is accessed is complete and accurate.

<sup>20</sup> [Minutes, 2014-07-15a], page 1.

<sup>21</sup> [WSLCB, 2014-07-14] , page All.

<sup>22</sup> [Minutes, 2014-07-14e], page 1.

<sup>23</sup> [Minutes, 2014-07-11c], page 1.

<sup>24</sup> [Goodman, 2014-07-17], page 1.

<sup>25</sup> [Goodman, 2014-08-01], page 1.

<sup>26</sup> [WSLCB, Undated3] WSLCB.

- Implemented using appropriate security measures to ensure the proper protection of data, especially for sensitive and privacy protected data.
- Sufficiently comprehensive in capabilities to meet current operational requirements without the use of stand-alone side applications, and sufficiently flexible in design to support new future requirements with a minimum of expense and effort.

WSLCB recognizes the risk and inefficiencies represented by their current software environment, and in their Fiscal Year (FY) 13-15 Strategic Plan the agency identified the replacement of their legacy systems as a strategic objective.

In achieving these three primary objectives, there are two critical additional benefits that will be realized:

- The existence of a comprehensive, reliable set of data will allow the agency to implement a data warehouse read-only copy of the data, which will then support public access to appropriate subsets of the data through the internet and mobile devices; the ability of the public to download electronic copies of relevant data subsets for off-line analysis; more timely and accurate responses to public record requests; and more efficient and accurate management queries. This will promote the Governor's objectives of open and transparent government and WSLCB's accountability to the citizens of the state consistent with Goal 5 of Results Washington.
- Agency efficiency will improve significantly, both because of greater public self-service and because of more efficient Information Technology (IT) support systems. This will show up in areas such as faster processing time, better constituent communication for licensing, and more field work (less time spent on administrative functions) by enforcement officers.

The data warehouse will provide a significant number of external customers with browser and mobile device access to appropriate data anytime and anywhere. Large datasets of appropriate public access information will be available for customer download to support offline analysis. State employees, especially enforcement officers, will have access to data 24x7 via laptops or mobile devices.

Specific goals of this project are:

- Retire the current AS/400, EN, imaging, and stand-alone Access applications as part of the final acceptance process for the new system.
- Achieve compliance with relevant portions of the National Institute of Standards and Technology (NIST) standards for data security (specifically NIST 800).

- Increase the number of services available on line including status of applications and on-line payments for services and taxes. This will be measured by reduction of complaints and volume of phone calls and increase use of on line services.
- Issue licenses on average 25 percent faster. Processing time is currently being tracked and a base year will be established and measured against processing time once the new system is completed and implemented.
- Increase accuracy and reduce the number of days required to respond to public record requests with information.
- Decrease processing time for collection of licensing revenue.
- Achieve a reduction in customer service inquiries and customer complaints due to client self-service enabled through the data warehouse and more information being available on the internet for public access.
- Reduce programming, work-around, and fixes to the existing systems with a reduction in costs through cost avoidance that will be measured against the repair alternative baseline described in section 22.
- Increase enforcement staff time in the field to provide education and increase public safety. This will be measured by an increase in the frequency of field contacts.

Success in achieving these goals will be measured immediately upon project completion.

## 2.3 Impacts

As shown in Figure 6, this project will impact on the following entities:

- The community as a whole will experience better access to data as a result of improved on-line data access; and improved safety and quality of life due to increased enforcement activities.
- License holders and applicants will experience reduced processing time, better and timelier communication, and improved self service capabilities.
- WSLCB staff will be able to work more efficiently and better serve the customer therefore providing greater job satisfaction. Routine administrative follow-up and responses to client status queries will be minimized through a combination of automation and customer self-service. Enforcement officers will spend more time in the field performing enforcement and training activities, and less time performing administrative tasks.

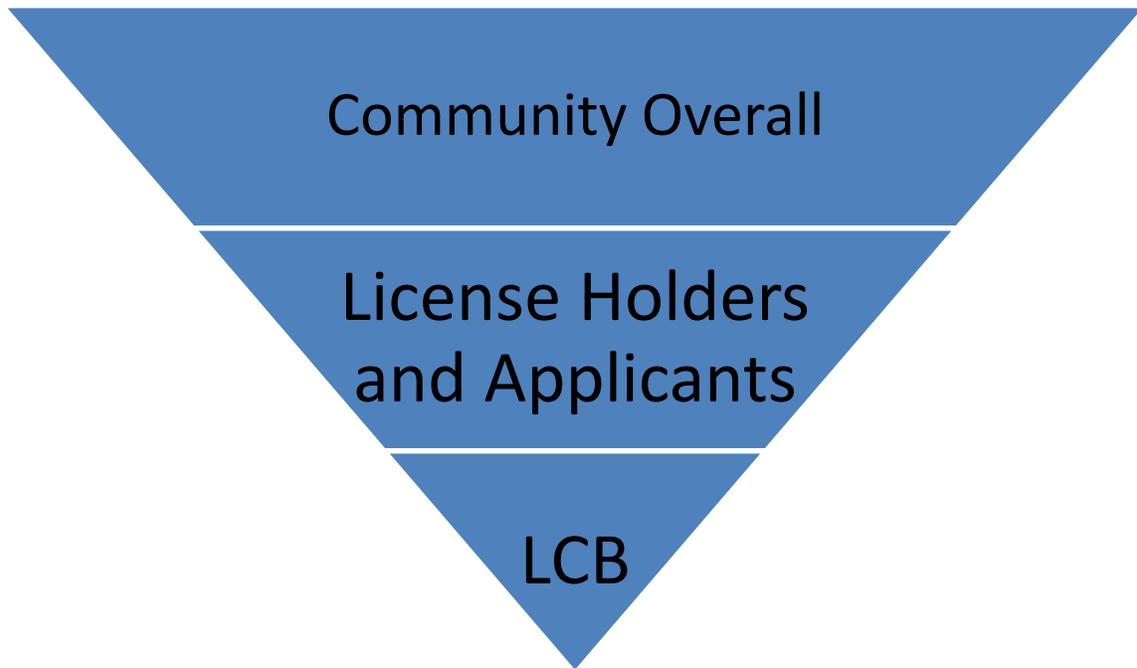


Figure 6: Impacted Entities

## 2.4 Organizational Effects

WSLCB is currently undertaking a LEAN/continuous process improvement initiative to improve internal processes. This information technology initiative will allow the automated systems to support the improved/optimized processes that come out of the LEAN initiatives. In addition, the vendor's experience with licensing agencies in other states offers the potential for transfer of best practices from other states to the WSLCB.

Currently, a significant portion of new employee training is spent explaining ways to work-around problems with the existing systems. With the new system, there will be more time to spend covering regulations, procedures, processes, and best practices.

No changes in position work functions or organizational structure are planned as a result of this initiative. Overall, staff are enthusiastic about this initiative because of the potential it offers to improve the current situation, and resistance to change is expected to be minimal in most cases.

## 3 Solution Analysis

### 3.1 Proposed Solution

The current WSLCB information technology environment is highly complex because of the diversity of platforms, the lack of accurate technical documentation for many of the components, and the age of much of the code base. The proposed project will replace the licensing, enforcement, imaging and stand-alone applications with an integrated solution built around a Commercial Off-the-Shelf (COTS) product. The resultant solution will involve significantly less technical complexity than the current environment. The proposed solution environments will include production, development, test, disaster recovery, and data warehouse environments deployed using virtualization in a cloud environment, with the decision between a state hosted cloud or a vendor hosted cloud deferred until later in the process. In addition, during the Request for Proposal (RFP) process vendor pricing for a license purchase versus Software as a Service (SaaS) licensing model will be reviewed to determine the approach that is most advantageous to the state. Upon full acceptance, WSLCB will be able to retire legacy AS/400 hardware and legacy image servers.

The proposed solution will significantly reduce the overall information technology complexity of the systems in use within WSLCB.

### 3.2 Major Alternatives Considered

Four alternatives were considered as part of this analysis:

- Maintain the status quo.
- Repair the current systems.
- Install a replacement system built around COTS software.
- Install a replacement system in phases.

Each of these options is discussed below.

#### 3.2.1 Maintain the status quo.

Initially, the option of doing nothing was reviewed as a baseline situation for analysis purposes. However, following our technical review of the current system we concluded that this option represents an unacceptable degree of risk to the state and that it must be rejected without further consideration. Our reasons for reaching this conclusion were discussed in section 2.1.2, but in summary form, the current environment represents an unacceptable degree of risk in the areas of data security, data integrity, and agency operations.

Taking no action at all results in an unacceptable degree of risk in the areas of data security, data integrity, and agency operations.

### **3.2.2 Repair the current systems.**

It would be difficult but possible to repair the current systems. The work would be a significant challenge both because the existing code bases would be a difficult starting point for development work, and because many of the problems with the existing system are core structural problems with the data access and persistence layers. To use an analogy with a house, we not only have a lot of visible problems to repair but the foundation also needs to be replaced. The specific work involved is described in more detail in section 4.2.2. Because this option uses the existing systems but takes responsible action to reduce risk to the state to an acceptable level, this option is considered as the baseline or current situation.

### **3.2.3 Install a replacement system built around COTS software.**

With this option, a new COTS licensing and enforcement application will replace the following current systems:

- AS/400 (primarily licensing).
- Enforcement Notebook (primarily enforcement).
- Imaging (primarily licensing).
- Stand-alone Access applications (both)

The primary areas of work are:

- Installing and configuring the vendor COTS solution.
- Implementing replacement interfaces to external systems.
- Adding WSLCB specific additional capabilities.
- Converting existing WSLCB data and loading that data into the COTS solution.
- Implement a new data warehouse capability for reporting and external access by the public.
- Cloud deployments (internally or externally hosted) of development, production, test, data warehouse, and disaster recovery environments.

- Review current processes and licenses and create more efficient, less complicated solutions.

The proposed architecture will use a virtual machine architecture deployed using a vendor or state hosted cloud environment.

### **3.2.4 Install a replacement system in phases.**

We considered the viability of replacing the current systems in phases. From a technical perspective this would be possible, although it would add roughly 25% to the project costs and increase the implementation risk. Based on the structures and stability of the existing systems, the only technically viable approach to doing a phased implementation would be as follows:

1. Replace the document imaging system.
2. Replace the EN application.
3. Replace the stand-alone Access applications.
4. Replace the AS/400 legacy application.
5. Add a data warehouse and public access capability.

Unfortunately, this technically necessary order of implementation is exactly the reverse of the order that would be optimum from a value perspective. So under this approach we find that:

- Costs and risks are significantly higher than full replacement immediately.
- Current risks in the area of data security, data integrity, and agency operations are not resolved satisfactorily until several years out.
- Value to the agency and the state is minimal in the early years, with the areas of highest value-added not implemented until several years into the process.

For this reason, we rejected this alternative from further consideration.

Funding the initiative in phases increases cost, delays resolving risk related issues for several years, and delays realization of the primary benefits of the replacement effort until the final years of work.

## **3.3 Conformity with Agency IT Portfolio**

The proposed project will be implemented using the latest industry best practices in several areas, and as such it may serve as a demonstration project for other Washington state agencies/projects in the future. Specific areas where this may apply include:

- Three design philosophies will be used to guide the business process analysis stage of this effort. First, we will build upon on-going process improvement efforts and ensure that the system design is based on a philosophy that, to the maximum extent practical, activities should be fully automated. Through the use of automated alerts, improved interfaces to local government, and exception based reporting many functions that are currently manual can be handled in an automated fashion. Second, we will establish an objective of maximizing customer self-service capabilities, which will apply to WSLCB services (e.g., licensing functions), status information, and public record requests. Third, we will expend the extra effort during implementation to create a system that is fully flexible and configurable for both the core COTS system and for the WSLCB specific extensions. This flexibility will allow WSLCB to adapt quickly to new laws, regulations, and process changes.
- The infrastructure deployment approach is a cloud based approach with full virtualization, using either a state hosted cloud or a vendor/third-party hosted cloud. The use of full virtualization for the deployment of infrastructure is clearly an industry best practice, with substantially reduced infrastructure costs and increased infrastructure flexibility for load balancing. Deploying these virtual environments using a cloud approach provides flexibility with respect to data center hosting.
- WSLCB's desire to maximize customer self-service and information access; the need for the system to be accessed by field personnel on mobile devices; and the sensitivity of some of the information stored (e.g., information related to informants or decoys, information about marijuana production operations) all create a situation that represents significant cyber security risk. As part of this effort WSLCB will conduct a formal NIST 800 security threat assessment, and then use the NIST 800 guidelines to implement appropriate security controls that are NIST 800 compliant. This process of security assessment and implementation of appropriate controls as part of the project is an industry best practice from a security perspective, and some of the implemented controls may bring specific cyber security best practices to the State in areas such as authentication, encryption, boundaries between public and private data, log management and monitoring, and incident response.

The project introduces new capabilities to improve security across the State enterprise while simultaneously reducing cyber security related risk within WSLCB.

### **3.4 Project Management and Organization (including external resources)**

There are five primary entities that will be involved in project execution:

1. Implementation Vendor.
2. Agency Project Oversight/Management.
3. Independent Verification and Validation (IV&V).
4. Independent Quality Assurance/Quality Control (QA/QC).
5. WSLCB.

Roles and responsibilities for each are shown in Table 1.

<b>Major Entity</b>	<b>Roles and Responsibilities</b>
Implementation Vendor	Define to-be business processes (primary). Define detailed requirements (primary). Technical management. Technical documentation. Infrastructure deployment. Application configuration and extensions. Unit testing. System integration testing. Automated data clean-up. Data conversion. Deployment. User documentation. Training.
Agency Project Oversight/Management	Integrated project management. Define detailed requirements (support). Management documentation. Risk management. Security strategy and oversight (lead). Monitoring and controlling. Scope and Budget management. Test planning.
IV&V	Develop verification checklists. Define verification test cases. Validate user acceptance test cases. Deliverable compliance review. Lead milestone reviews. User acceptance testing (support).
QA/QC	Review project plans and standards. Develop user acceptance test cases (primary). Deliverable Quality Control (QC). Facilitate document/code walkthroughs. User acceptance testing (lead). Test status reporting.

WSLCB Business Units	Define to-be business processes (supporting). Define detailed requirements (supporting). Security strategy and oversight (supporting). Manual data clean-up. User acceptance testing (supporting).
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Table 1: Roles and Responsibilities

### 3.5 Estimated Timeframe and Work Plan

As discussed in section 3.2, the current WSLCB information technology systems represent an unacceptable degree of risk to the agency and the state of Washington. A significant expenditure of funds over the next biennia will be required to mitigate this risk under any scenario. We believe that it is urgent that this project be fully funded this biennium to avoid these unacceptable consequences. Our proposed project work plan is shown on the following pages in both Gantt and tabular formats. With the exception of acquisition timeframes, all durations were determined using industry benchmark data for similar efforts by other State and Local government agencies. The following notes and assumptions apply:

- This project will require up to four separate RFP’s: one for the implementation and commercial off-the-shelf (COTS) solution provider; one for the project oversight manager (may be an employee); one for the independent verification and validation (IV&V) vendor; and one for the quality assurance/quality control vendor. Work will begin once funding is secured even if the funds are not yet available and every effort will be made to award the necessary contracts by July 31<sup>st</sup>, 2015. This is contingent on passage of Agency Request Legislation for a fee surcharge to fund the project. If the Legislative Session does not end on time this project schedule would be adjusted.
- Project work would begin on Monday, August 3<sup>rd</sup> 2015. During the initial 4.4 months the three vendors plus state personnel will define business requirements, technical requirements, to-be processes, final architecture, and develop the implementation plan. It is particularly critical that the implementation vendor actively participate in this process, as they will have detailed knowledge about built-in features and capabilities of their COTS solution. This work will be managed as a “design-to-cost” effort to ensure that the deployment remains within budget. The detailed specifications that are created during this timeframe will be approved during a Critical Design Review (CDR) milestone/gate review. These will then form the basis of actual implementation, and these specifications will be used by the IV&V and QA/QC vendors to begin creating test cases. The implementation vendor will be contractually required to provision capabilities that offer customer facing value-added at least every six months during the subsequent implementation phase, with the specific capabilities to be proposed by the implementation vendor and approved during the CDR. The CDR will be conducted no later than mid-December, 2015.

- Actual implementation will require 13.6 months, completing early February, 2017. During this time the COTS solution will be configured and deployed; WSLCB required enhancements will be created and installed; unit testing will be completed; data will be converted; and system integration testing will be completed. At the conclusion of this phase, a Test Readiness Review (TRR) will be conducted.
- User Acceptance Testing (UAT) will be conducted primarily by the WSLCB business users and the QA/QC vendor (with IV&V oversight) during a 3 month period ending mid-April, 2017. At the conclusion of UAT a Production Readiness Review (PRR) will be conducted.
- There will be a one-month deployment period, during which time the final data conversion will take place; training of both operational and support personnel will be conducted, cutover will occur; and operational validation will occur with field personnel. Following the one month deployment period, a 3 months warranty/burn-in period will be used to ensure that the system continues to perform as expected. During this time, legacy systems will be retired and decommissioned. At the conclusion of the warranty period, final system acceptance will occur and the project will transition to on-going operational status. Final acceptance will occur in mid-September, 2017.

The implementation vendor will be contractually required to provision capabilities that offer customer facing value-added at least every six months during the implementation phase.

## 4 Cost Benefit Analysis (CBA)

### 4.1 Approach

As described in section 3.2, four options were initially considered:

1. Do nothing.
2. Replace the existing systems.
3. Fix the existing systems.
4. Replace the existing systems incrementally.

Options 1 and 4 were rejected for the reasons described in section 3.2. Options 2 and 3 form the basis of our analysis in this chapter.

In performing our cost analysis, Level 4 used our ExcelerPlan<sup>27</sup> information technology cost estimating tool. ExcelerPlan contains benchmark data on more than thirty-thousand historic information technology projects, and this benchmark data is used to forecast effort, cost and schedule. ExcelerPlan works by calculating the size of work required for benchmarking purposes, expressed in Function Point Equivalents. This size, plus project specific normalization factors allows an adjusted like-for-like comparison with historic data for forecasting purposes. ExcelerPlan forecasts include labor, infrastructure hardware and software, travel, and maintenance and operations costs. Business application license fees are not included in the benchmark data, but were estimated using data from historic liquor control board licensing software procurements. These historic liquor control board licensing software procurements were also used as an additional validation step for the ExcelerPlan calculations.

The Washington State suggested cost benefit spreadsheets were then directly linked to the ExcelerPlan tool so that ExcelerPlan automatically populated the Washington State spreadsheets using the model data. This approach was used to allow rapid recalculation of the Washington State spreadsheets based on changes in assumptions.

### 4.2 Analysis and results

In this section we present our detailed cost analysis of the replacement and repair option, plus our validation analysis using actual historic data from other state procurements.

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<sup>27</sup> ExcelerPlan is a commercial off-the-shelf estimation and benchmarking tool sold by Level 4.

### 4.2.1 Replacement option

As discussed in section 3.2.3, with this option, a new COTS licensing and enforcement application will replace the following current systems:

- AS/400 (primarily licensing).
- Enforcement Notebook (primarily enforcement).
- Imaging (primarily licensing).
- Stand-alone Access applications (both).

The primary areas of work are:

- Installing and configuring the vendor COTS solution.
- Implementing replacement interfaces to external systems (4).
- Adding WSLCB specific additional capabilities (approximately 50 reports, 75 interactive pages, 30 workflows).
- Converting existing WSLCB data and loading that data into the COTS solution.
- Implement a new data warehouse capability for reporting and external access by the public.
- Cloud deployments (internally or externally hosted) of development, production, test, data warehouse, and disaster recovery environments.

This approach results in an implementation size of 1,936 function point equivalents and a total effort required of 16,908 person hours of work. The forecast duration at the 50% probability level is 18.67 calendar months, but we have elected to increase the forecast duration to 23 calendar months to achieve a 95% probability of on-time delivery and to minimize or eliminate overtime requirements for WSLCB staff. Figure 7 shows a risk adjusted Monte-Carlo simulation of project duration for similar State and Local Government deployments, and while 23 months does not guarantee an on-time delivery, we believe that it is achievable.

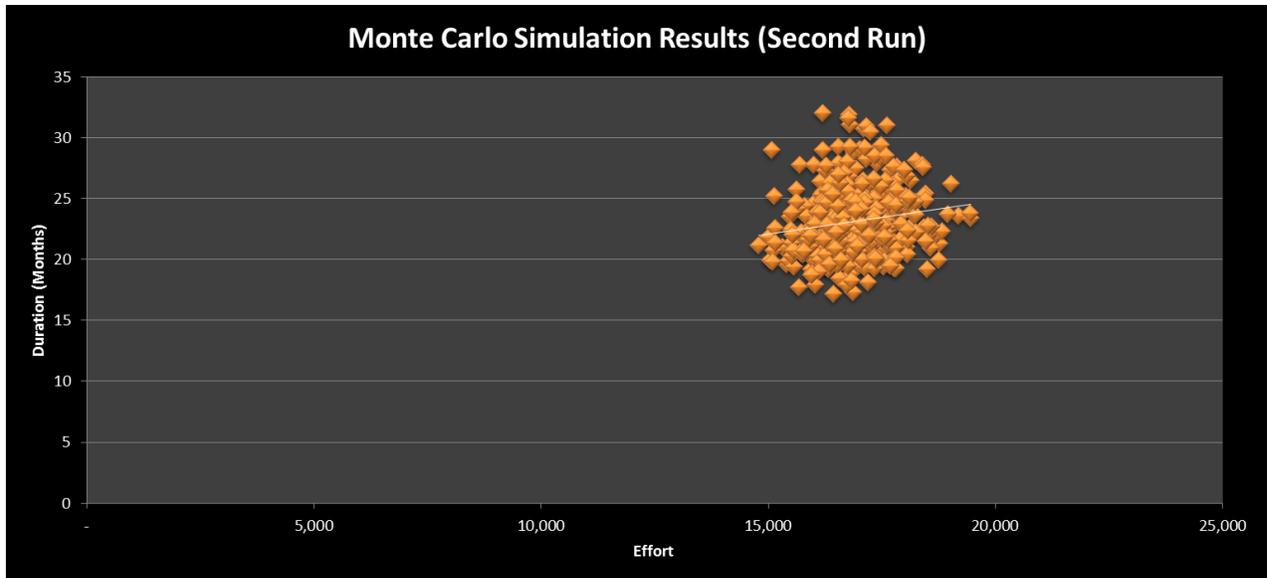


Figure 7: Monte Carlo Simulation of Project Duration

The project budget by Fiscal Year is shown in Figure 8. We are assuming that WSLCB staff are able to provide 1,184 total person-hours of support to the effort within the current operational budget (i.e., at no cost to the project), primarily during the initial requirement definition and during the user acceptance testing work. Project Maintenance and Operations (M&O) represents the warranty period. Time and labor by phase are shown in Figure 9.

	FY 16	FY 17	FY 18
<b>Project Expenses</b>			
Infrastructure Hardware	\$ 22,470	\$ 16,355	\$ -
Infrastructure Software	\$ 13,057	\$ 17,525	\$ -
Application Software	\$ 500,000	\$ -	\$ -
Travel	\$ 49,234	\$ 52,515	\$ -
Other Direct Charges	\$ -	\$ -	\$ -
Labor	\$ -	\$ -	\$ -
Internal	\$ -	\$ -	\$ -
Contractor-Onshore	\$ 779,491	\$ 695,866	\$ -
Contractor-Offshore	\$ 41,816	\$ 180,185	\$ -
Consultant	\$ -	\$ -	\$ -
Project M&O	\$ -	\$ 10,791	\$ 3,597
Contingency	\$ 135,808	\$ 144,860	\$ -
Risk Mitigation	\$ -	\$ -	\$ -
Management Reserve	\$ -	\$ -	\$ -
<b>TOTAL PROJECT</b>	<b>\$ 1,541,875</b>	<b>\$ 1,118,098</b>	<b>\$ 3,597</b>

Figure 8: Replacement Option, Budget by FY

Phase/Activity	Forecast Duration	Total Effort
Technical Management	23.0	1,708
Business Req.	1.7	1,196
Technical Req.	1.5	1,025
Architecture	1.2	854
Design	3.0	2,050
Code & Unit Test	5.9	4,099
System/Integ. Test	4.7	3,245
User Acceptance Test	3.0	2,050
Deploy	1.0	683

Figure 9: Replacement Option, Phase Breakout

Figure 10 shows the budget breakout by category and fiscal year with our mapping to the Washington State accounting codes. This figure also includes the industry benchmark costs for Project Oversight/Management, IV&V and independent QA/QC.

OFM Code		FY 16	FY 17	FY 18
(JC-H)	Infrastructure Hardware	\$ 22,470	\$ 16,355	\$ -
(JC-S)	Infrastructure Software	\$ 13,057	\$ 17,525	\$ -
(JC-S)	Application Software	\$ 500,000	\$ -	\$ -
(G)	Travel	\$ 49,234	\$ 52,515	\$ -
(KA-S)	Business Process Analysis	\$ 308,611		
	Implementation Services			
(JC-S)	Technical Management	\$ 82,960	\$ 88,490	\$ -
(JC-S)	Config. And Install	\$ 76,376		
(JC-S)	Extensions	\$ 231,872	\$ 493,362	
(JC-S)	Data Conversion	\$ 121,487	\$ 225,619	
(JC-S)	Deployment		\$ 68,580	
(EE-S)	Warranty	\$ -	\$ 10,791	\$ 3,597
(CA)	Project Oversight/Mgmt.	\$ 112,131	\$ 118,684	
(CA)	IV&V	\$ 71,672	\$ 75,276	
(CA)	Quality Assurance/Quality Control	\$ 93,344	\$ 100,553	
( )	Contingency/Mitigation/Reserve	\$ 177,379	\$ 189,037	\$ -

Figure 10: Replacement Option, Budget Mapping

Our estimates of the expected award value for the four planned acquisitions, plus the contingency budget using industry norms applied to different categories of purchases, is shown in Figure 11.

Acquisition Category	Estimate
Implementation Vendor	\$ 2,382,902
Project Oversight/Management	\$ 230,815
IV&V Vendor	\$ 146,948
QA/QC Vendor	\$ 193,896
Contingency	\$ 366,416
<b>TOTAL</b>	<b>\$ 3,320,978</b>

Figure 11: Estimated Acquisition Awards

#### 4.2.2 Repair option

Under this option, the AS/400 based licensing system, Enforcement Notebook, and imaging system are repaired to achieve an acceptable level of data integrity, security, and operational capability. The work required will be as follows:

- This option will require a major upgrade to the AS/400 COBOL code so that the AS/400 can function as a comprehensive system of record for WSLCB data, including added flexibility to support new license types and marijuana requirements. The AS/400 itself is an aging platform which will require an upgrade, and the upgrade work represents a risk because legacy code documentation is often not up to date.
- The Enforcement Notebook has structural problems with the data access layer and persistence layers that result in significant issues of both data integrity and security, so these components would need to be completely rewritten. Major supporting modules containing business logic needed to avoid data redundancy are either not present or incorrectly implemented. Access control for field units would need to be reviewed and most likely upgraded, and data encryption added. Data synchronization is problematic even when properly implemented, so the entire field data access approach will need to be redesigned. Most reports currently do not work, which may be related to the data issues. Complete integration with the new AS/400 system of record would be needed to ensure accurate and close to real time reporting capabilities with consistent data. With these changes implemented, the user forms would need significant redesign work based on current work processes, enforcement regulations, and requirements related to new areas of enforcement, in particular marijuana.
- The imaging system will need to be upgraded. This will be a relatively straight-forward system upgrade, and the work required will be roughly equivalent to the work required under the replacement option.
- A data warehouse will need to be added to support public access to data and management reporting requirements. This work will be roughly equivalent to the work required under the replacement option.

- The existing stand-alone supporting applications written in Access will need to be moved to the AS/400 , the Enforcement Notebook, or potentially a new application that is under suitable configuration and operational control. Without a better understanding of the stand-alone applications this work can't be completely estimated, so we are assuming that it is roughly equivalent to the work required to integrate these capabilities into the COTS product under the replacement system option.
- Because the repaired systems will involve major restructuring of the data persistence layers, and the existing data has many data integrity issues, a complete data clean-up and conversion will be required. We assume that this work is roughly the same under both options.

This approach results in an implementation size of 2,363 function point equivalents and the total effort required will be 29,150 person hours of work. The forecast duration at the 50% probability level is 23.06 calendar months. As shown in Figure 12 and Figure 13, the repair option estimates are characterized by a high degree of uncertainty, which translates into a high degree of schedule and cost risk when running Monte Carlo simulations using historic data.

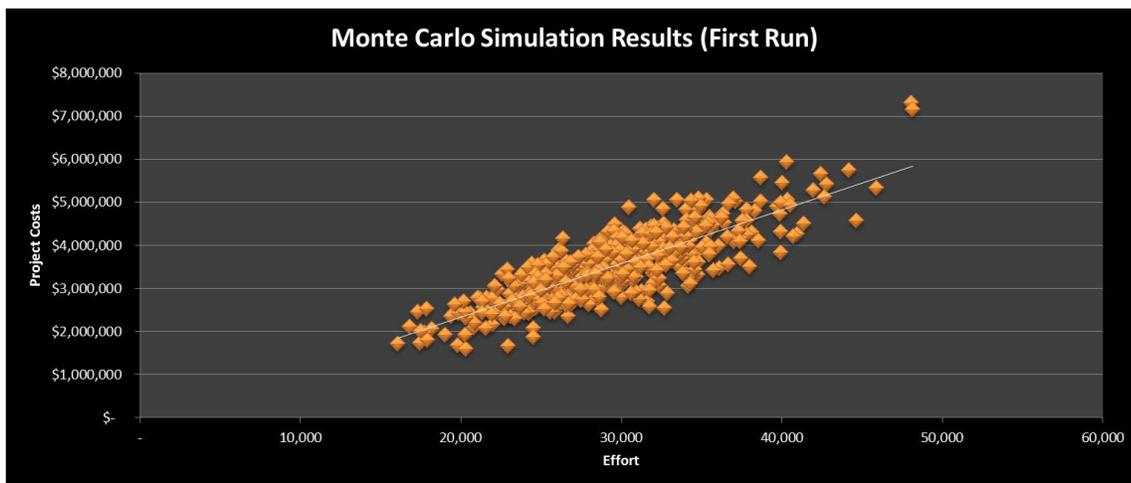


Figure 12: Repair Option, Cost Risk

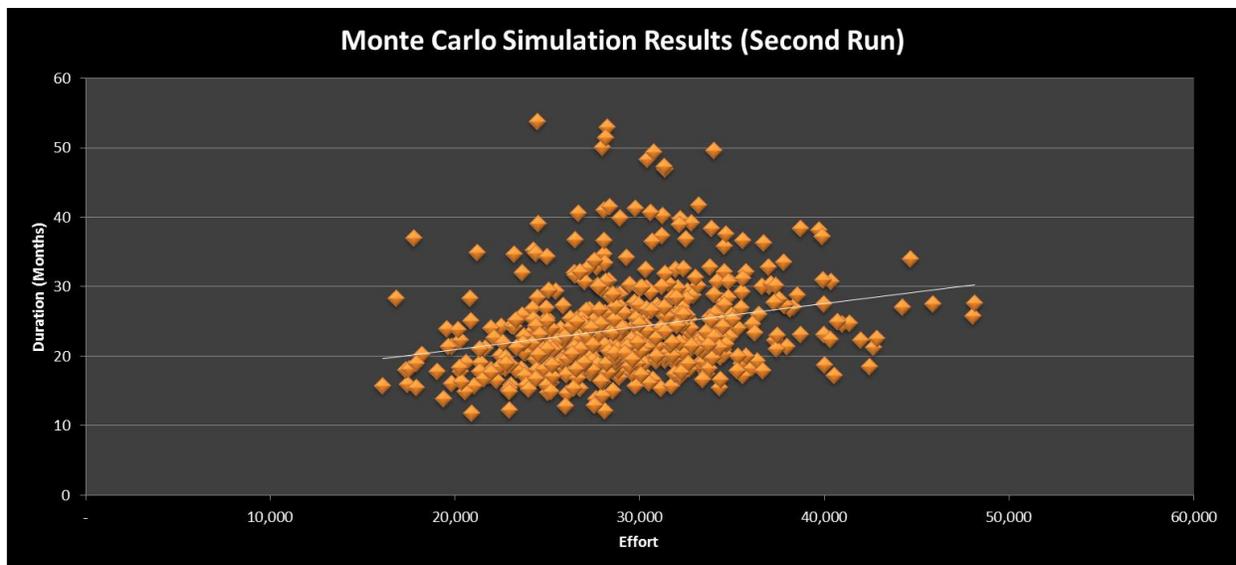


Figure 13: Repair Option, Schedule Risk

One final note about this option is that in addition to costing more than the replacement option using an existing COTS product; and representing significantly higher cost and schedule risk during implementation; the repaired applications have higher on-going maintenance and operations costs due to the higher complexity of the resultant system versus the replacement COTS solution. The specific cost comparisons are shown in section 4.3.

#### 4.2.3 Validation with other state data

Level 4 has actual cost data for the deployment of replacement liquor licensing and enforcement systems in the states of California, New Jersey, and Kansas. As part of our validation we adjusted this data to ensure like-for-like comparisons, with the results shown in Figure 14. Most of the adjustments were straight-forward, but the following judgment calls were required:

- California included a complex deployment statewide with some licensing and enforcement policies varying by county and a significant amount of county specific reporting. We considered the California technical requirements to be roughly \$500,000 more difficult than the Washington requirements. On the other hand, the licensing requirements for New Jersey and Kansas were significantly simpler than the requirements in Washington, especially in the area of marijuana. We assigned a value of \$250,000 to the difference in requirements.
- California’s contract terms and conditions were particularly onerous, requiring a performance bond, liquidated damages, and a payment approach likely to result in project cash flow issues or financing requirements. The project methodology was also overly complex, resulting in a very lengthy implementation timeframe. We placed a value of \$250,000 on these contractual terms and conditions. On

the other hand, New Jersey implemented the system using an existing contract vehicle and the entire purchase transaction was completed using a purchase order. We placed a value of \$50,000 on this simplified acquisition.

- To account for differences in user counts, we adjusted based on \$5,000 per user.

	Washington	California	New Jersey	Kansas
Project Value	\$ 3,320,978	\$ 3,522,373	\$ 579,100	\$ 609,743
Adjust to CY 2014 dollars	\$ -	\$ 289,818	\$ 8,687	\$ 9,146
Include/exclude infrastructure hardware and software	\$ -	\$ 69,407	\$ 69,407	\$ 69,407
Include/exclude project management oversight		\$ 146,948	\$ 146,948	\$ 146,948
Include/exclude IV&V		\$ 146,948	\$ 146,948	\$ 146,948
Include/exclude QA/QC		\$ 193,896	\$ 193,896	\$ 193,896
Include/exclude contingency		\$ 366,416	\$ 366,416	\$ 366,416
Include/exclude data warehouse			\$ 347,166	\$ 347,166
System complexity		\$ (500,000)	\$ 250,000	\$ 250,000
Contract Terms and Conditions		\$ (250,000)	\$ 50,000	
User count (Washington 294, California 450, New Jersey 50, Kansas 50)		\$ (780,000)	\$ 1,225,000	\$ 1,225,000
	\$ 3,320,978	\$ 3,205,808	\$ 3,383,569	\$ 3,364,671

Figure 14: Comparison with other state data

### 4.3 Cost benefit analysis

As shown in Figure 15, the replacement option offers lower project cost and reduced total cost of ownership than the only other viable option. Figure 16 through Figure 19 provide the more detailed OCIO build-up spreadsheets.

Form 1/ Summary, Cost Benefit and Cash Flow Analysis											Agency	Liquor Control Board	LESMP
10-Sep-14													
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	GRAND TOTAL		
TOTAL OUTFLOWS	1,860,593	1,456,788	(227,330)	(232,081)	(217,797)	0	(227,866)	(252,753)	(282,012)	(310,309)	1,567,232		
TOTAL INFLOWS	2,009,254	2,138,770	0	0	0	0	0	0	0	0	4,148,025		
NET CASH FLOW	148,662	681,982	227,330	232,081	217,797	0	227,866	252,753	282,012	310,309			
INCREMENTAL NPV	NA	820,903	1,043,858	1,270,001	1,480,856	1,480,856	1,698,618	1,938,604	2,204,643	2,495,484			
Cumulative Costs	NA	3,317,381	3,090,051	2,857,970	2,640,173	2,640,173	2,412,307	2,159,554	1,877,541	1,567,232			
Cumulative Benefits	NA	4,148,025	4,148,025	4,148,025	4,148,025	4,148,025	4,148,025	4,148,025	4,148,025	4,148,025			
Cost of Capital	Breakeven Period - yr		NPV \$	IRR %									
0.65%	Non-Discounted	Discounted	2,495,484	#NUM!									
* - "Non-Discounted" represents breakeven period for cumulative costs and benefits (no consideration of time value of money).													
* - "Discounted" considers effect of time value of money through incremental Net Present Value.													

Figure 15: OCIO Form 1, Summary Cost Benefit

Form 2/ Project Detail Cost Flow Analysis				Agency	Liquor Control Board	Project Option	LESMP					
10-Sep-14 Suggested Format												
FISCAL COSTS, PROJECT DEVELOPMENT	OFM Object Codes	FY 2016	FY 2017	FY 2018	DEVELOPMENT PHASES					GRAND TOTAL		
					FY 2019	FY 2020	FY 2021	FY 2022	FY 2023		FY 2024	FY 2025
Salaries and Wages	(A)	0	0	0	0	0	0	0	0	0	0	0
Employee Benefits	(B)	0	0	0	0	0	0	0	0	0	0	0
Personal Service Contracts	(CA)	277,466	294,513	0	0	0	0	0	0	0	0	571,660
Communications	(EB)	0	0	0	0	0	0	0	0	0	0	0
Hardware Rent/Lease	(ED)	0	0	0	0	0	0	0	0	0	0	0
Hardware Maintenance	(EE)	0	0	0	0	0	0	0	0	0	0	0
Software Rent/Lease	(ED)	0	0	0	0	0	0	0	0	0	0	0
Software Maintenance & Upgrade	(EE)	0	10,791	3,597	0	0	0	0	0	0	0	14,388
DP Goods/Services	(EL)	0	0	0	0	0	0	0	0	0	0	0
Goods/Services Not Listed	(E)	0	0	0	0	0	0	0	0	0	0	0
Travel	(G)	49,234	52,515	0	0	0	0	0	0	0	0	101,749
Hardware Purchase Capitalized	(JC)	22,470	16,355	0	0	0	0	0	0	0	0	38,825
Software Purchase Capitalized	(JC)	1,025,753	893,576	0	0	0	0	0	0	0	0	1,919,330
Hardware Purchase - Non. Cap	(KA)	0	0	0	0	0	0	0	0	0	0	0
Software Purchase - Non. Cap	(KA)	308,611	0	0	0	0	0	0	0	0	0	308,611
Hardware Lease/Purchase	(P)	0	0	0	0	0	0	0	0	0	0	0
Software Lease/Purchase	(P)	0	0	0	0	0	0	0	0	0	0	0
Other (specify)	(Contingency)	177,379	189,037	0	0	0	0	0	0	0	0	366,416
<b>TOTAL DEVELOPMENT</b>		<b>1,860,593</b>	<b>1,456,788</b>	<b>3,597</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,320,978</b>

Figure 16: OCIO Form 2, Project Cost Summary

Form 3/ Summary, Operations Incremental Cost of Project				Agency	Liquor Control Board	Project Option	LESMP				
10-Sep-14											
OPERATIONS INCREMENTAL COSTS OF PROJECT (Per Form 4 - Column C)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	GRAND TOTAL
	Salaries and Wages	0	0	(135,866)	(155,702)	(165,027)	0	(187,481)	(199,880)	(212,748)	(225,960)
Employee Benefits	0	0	0	0	0	0	0	0	0	0	0
Personal Service Contracts	0	0	0	0	0	0	0	0	0	0	0
Communications	0	0	0	0	0	0	0	0	0	0	0
Hardware Rent/Lease	0	0	0	0	0	0	0	0	0	0	0
Hardware Maintenance	0	0	0	0	0	0	0	0	0	0	0
Software Rent/Lease	0	0	0	0	0	0	0	0	0	0	0
Software Maintenance & Upd	0	0	(95,062)	(76,378)	(52,770)	0	(40,385)	(52,873)	(69,265)	(84,349)	(471,082)
DP Goods/Services	0	0	0	0	0	0	0	0	0	0	0
Goods/Services Not Listed	0	0	0	0	0	0	0	0	0	0	0
Travel	0	0	0	0	0	0	0	0	0	0	0
Hardware Purchase Capitaliz	0	0	0	0	0	0	0	0	0	0	0
Software Purchase Capitaliz	0	0	0	0	0	0	0	0	0	0	0
Hardware Purchase - Non. C	0	0	0	0	0	0	0	0	0	0	0
Software Purchase - Non. C	0	0	0	0	0	0	0	0	0	0	0
Hardware Lease/Purchase	0	0	0	0	0	0	0	0	0	0	0
Software Lease/Purchase	0	0	0	0	0	0	0	0	0	0	0
Other (specify)	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL OPERATIONS</b>	<b>0</b>	<b>0</b>	<b>(230,927)</b>	<b>(232,081)</b>	<b>(217,797)</b>	<b>0</b>	<b>(227,866)</b>	<b>(252,753)</b>	<b>(282,012)</b>	<b>(310,309)</b>	<b>(1,753,746)</b>
<b>TOTAL OUTFLOWS</b>	<b>1,860,593</b>	<b>1,456,788</b>	<b>(227,330)</b>	<b>(232,081)</b>	<b>(217,797)</b>	<b>0</b>	<b>(227,866)</b>	<b>(252,753)</b>	<b>(282,012)</b>	<b>(310,309)</b>	<b>1,567,232</b>
<b>CUMULATIVE COSTS</b>	<b>1,860,593</b>	<b>3,317,381</b>	<b>3,090,051</b>	<b>2,857,970</b>	<b>2,640,173</b>	<b>2,640,173</b>	<b>2,412,307</b>	<b>2,159,554</b>	<b>1,877,541</b>	<b>1,567,232</b>	

(1) Total Outflows the sum of Fiscal Total Operations and Total Development from Form2.  
(2) Total Outflows carried to Form1

Figure 17: OCIO Form 3, Summary Incremental Operating Costs

Form 4/ Current versus Proposed Method Operations Costs				Agency Liquor Control Board				Project Option LESMP								
10-Sep-14 Suggested Format																
		FY 2016			FY 2017			FY 2018			FY 2019			FY 2020		
		(a)	(b)	(c) = (b)-(a) Incremental Effect of Project (to summary)	(a)	(b)	(c) = (b)-(a) Incremental Effect of Project (to summary)	(a)	(b)	(c) = (b)-(a) Incremental Effect of Project (to summary)	(a)	(b)	(c) = (b)-(a) Incremental Effect of Project (to summary)	(a)	(b)	(c) = (b)-(a) Incremental Effect of Project (to summary)
OPERATIONS COSTS		Current	Project		Current	Project		Current	Project		Current	Project		Current	Project	
Obj. Codes																
Salaries and Wages (A)		0	0	0	0	0	0	274,689	138,823	(135,866)	314,794	159,092	(155,702)	333,647	168,620	(165,027)
Employee Benefits (B)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Personal Service Contracts (CA)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Communications (EB)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hardware Rent/Lease (ED)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hardware Maintenance (EE)		0	0	0	0	0	0	5,338	5,338	0	5,931	5,931	0	6,049	6,049	0
Software Rent/Lease (ED)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Software Maintenance & Upgrade (EE)		0	0	0	0	0	0	324,279	229,217	(95,062)	316,014	239,635	(76,378)	284,294	231,524	(52,770)
DP Goods/Services (EL)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Goods/Services Not Listed (E)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Travel (G)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hardware Purchase Capitalized (JC)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Software Purchase Capitalized (JC)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hardware Purchase - Non. Cap (KA)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Software Purchase - Non. Cap (KA)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hardware Lease/Purchase (P)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Software Lease/Purchase (P)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other (specify) ( )		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL OPERATION COSTS</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>604,306</b>	<b>373,379</b>	<b>(230,927)</b>	<b>636,738</b>	<b>404,657</b>	<b>(232,081)</b>	<b>623,989</b>	<b>406,192</b>	<b>(217,797)</b>
FTE'S																
		FY 2021			FY 2022			FY 2023			FY 2024			FY 2025		
		(a)	(b)	(c) = (b)-(a) Incremental Effect of Project (to summary)	(a)	(b)	(c) = (b)-(a) Incremental Effect of Project (to summary)	(a)	(b)	(c) = (b)-(a) Incremental Effect of Project (to summary)	(a)	(b)	(c) = (b)-(a) Incremental Effect of Project (to summary)	(a)	(b)	(c) = (b)-(a) Incremental Effect of Project (to summary)
OPERATIONS COSTS		Current	Project		Current	Project		Current	Project		Current	Project		Current	Project	
Obj. Codes																
Salaries and Wages (A)		354,973	354,973	0	379,042	191,562	(187,481)	404,112	204,232	(199,880)	430,127	217,379	(212,748)	456,838	230,879	(225,960)
Employee Benefits (B)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Personal Service Contracts (CA)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Communications (EB)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hardware Rent/Lease (ED)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hardware Maintenance (EE)		6,170	6,170	0	6,294	6,294	0	6,419	6,419	0	6,548	6,548	0	6,679	6,679	0
Software Rent/Lease (ED)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Software Maintenance & Upgrade (EE)		252,581	252,581	0	273,810	233,425	(40,385)	296,963	244,090	(52,873)	326,108	256,844	(69,265)	353,363	269,013	(84,349)
DIS Goods/Services (EL)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Goods/Services Not Listed (E)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Travel (G)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hardware Purchase Capitalized (JC)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Software Purchase Capitalized (JC)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hardware Purchase - Non. Cap (KA)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Software Purchase - Non. Cap (KA)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hardware Lease/Purchase (P)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Software Lease/Purchase (P)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other (specify) ( )		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL OPERATION COSTS</b>		<b>613,725</b>	<b>613,725</b>	<b>0</b>	<b>659,146</b>	<b>431,280</b>	<b>(227,866)</b>	<b>707,494</b>	<b>454,741</b>	<b>(252,753)</b>	<b>762,783</b>	<b>480,771</b>	<b>(282,012)</b>	<b>816,880</b>	<b>506,571</b>	<b>(310,309)</b>
FTE'S																

Figure 18: OCIO Form 4, Operating Cost Analysis



## 5 Risk Management

The printer friendly version of the OCIO Portfolio-based Severity and Risk matrix calculator is shown on the following pages. The project's overall risk level is evaluated as Medium. Techniques that will be used to mitigate and manage this risk include:

- External quality assurance and IV&V will be used to support the agency.
- A certified project manager will be used to provide integrated project management. This will be the only work function of the individual who will report to an agency senior manager.
- A commercial off-the-shelf solution with a minimum of three previous successful installations at government agencies similar in function to the WSLCB will be used as the basis for implementation of the replacement system.
- Milestone based gate reviews will be used.
- Evaluation factors used to select the implementation vendor will be weighted toward elements related to project risk and the ability of the implementation vendor to deliver a successful solution. Unrealistic "low ball" vendor bids with a high probability of subsequent project failure will be avoided by writing the cost evaluation criteria to include cost realism as well as fair and reasonable pricing relative to the independent government cost estimates (IGCEs) included in this report.

It is worth emphasizing that, while the risk associated with proceeding forward with the project are medium, the risks of doing nothing are very high. In a recent risk assessment of WSLCB operations, the number 1 and number 2 identified risks were the legacy system and data quality.<sup>28</sup> The current systems place the agency and the state at an unacceptable position of risk.

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<sup>28</sup> [WSLCB, 2014-06-23b], page 20

## 6 Glossary

CDR: Critical Design Review  
COBOL: Common Business Oriented Language  
COTS: Commercial Off-the-Shelf  
EN: Enforcement Notebook  
ESSB: Enhanced Substitute Senate Bill  
FY: Fiscal Year  
HB: House Bill  
IGCE: Independent Government Cost Estimate  
IT: Information Technology  
IV&V: Independent Verification and Validation  
LESMP: Licensing and Enforcement System Modernization Project  
M&O: Maintenance and Operations  
N/A: Not Applicable  
NIST 800: The NIST standards associated with information security (see also NIST)  
NIST: National Institute of Standards and Technology  
PRR: Production Readiness Review  
QA: Quality Assurance  
QC: Quality Control  
RFP: Request for Proposal  
SaaS: Software as a Service  
SB: Senate Bill  
SHB: Substitute House Bill  
SQL: Structured Query Language  
SSB: Substitute Senate Bill  
TRR: Test Readiness Review  
UAT: User Acceptance Testing  
WSLCB: Washington State Liquor Control Board

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**PL-N2 Modernization of Regulatory Systems - 11% Surcharge worksheet**

<b>Annual Renewals</b>	<b>Fee Amount</b>	<b># Annual Renewals</b>	<b>Annual Revenue</b>	<b>Biennial Amount</b>	<b>11% Revenue</b>	<b>Annual Surcharge 11 Percent</b>
0001 Special Occasion	\$60	4662	\$279,720	\$559,440	\$61,538	\$6.60
0002 Non-Profit Arts	\$250	91	\$22,750	\$45,500	\$5,005	\$27.50
0003 Bed & Breakfast	\$75	47	\$3,525	\$7,050	\$776	\$8.25
0004 Serve Employees	\$500	96	\$48,000	\$96,000	\$10,560	\$55.00
0320 Beer Distributor	\$660	111	\$73,260	\$146,520	\$16,117	\$72.60
0321 Beer Importer	\$160	11	\$1,760	\$3,520	\$387	\$17.60
0322 Bonded Wine WH	\$100	28	\$2,800	\$5,600	\$616	\$11.00
0323 Interstate CC	\$750	31	\$23,250	\$46,500	\$5,115	\$82.50
0325 Distill/Rectify	\$2,000	18	\$36,000	\$72,000	\$7,920	\$220.00
0326 Domestic Brewery	\$2,000	1	\$2,000	\$4,000	\$440	\$220.00
0327 Domestic Winery	\$100	805	\$80,500	\$161,000	\$17,710	\$11.00
0328 Domestic Winery	\$400	30	\$12,000	\$24,000	\$2,640	\$44.00
0329 Fruit Wine Distrillery	\$200	7	\$1,400	\$2,800	\$308	\$22.00
0330 Spirits Importer	\$600	27	\$16,200	\$32,400	\$3,564	\$66.00
0331 Manufacturer Liq.	\$500	3	\$1,500	\$3,000	\$330	\$55.00
0332 Microbrewery	\$100	263	\$26,300	\$52,600	\$5,786	\$11.00
0333 Ships Chandler	\$100	4	\$400	\$800	\$88	\$11.00
0334 Wine Distrbutor	\$660	205	\$135,300	\$270,600	\$29,766	\$72.60
0335 Grower	\$75	10	\$750	\$1,500	\$165	\$8.25
0336 Wine Importer	\$160	30	\$4,800	\$9,600	\$1,056	\$17.60
0339 Dom. Brewery Brand Owner	\$2,000	1	\$2,000	\$4,000	\$440	\$220.00
0340 Beer COA	\$200	177	\$35,400	\$70,800	\$7,788	\$22.00
0341 Wine COA	\$200	862	\$172,400	\$344,800	\$37,928	\$22.00
0342 Auth Rep COA US Beer	\$200	40	\$8,000	\$16,000	\$1,760	\$22.00
0343 Auth Rep COA US Wine	\$200	223	\$44,600	\$89,200	\$9,812	\$22.00
0344 Auth Rep COA Foreign Beer	\$200	108	\$21,600	\$43,200	\$4,752	\$22.00
0345 Auth Rep COA Foreign Wine	\$200	473	\$94,600	\$189,200	\$20,812	\$22.00
0347 Wine Shipper to Consumer	\$100	473	\$47,300	\$94,600	\$10,406	\$11.00
0348 Ship to Retailer	\$100	298	\$29,800	\$59,600	\$6,556	\$11.00

**PL-N2 Modernization of Regulatory Systems - 11% Surcharge worksheet**

<b>Annual Renewals</b>	<b>Fee Amount</b>	<b># Annual Renewals</b>	<b>Annual Revenue</b>	<b>Biennial Amount</b>	<b>11% Revenue</b>	<b>Annual Surcharge 11 Percent</b>
0351 Craft Distillery	\$100	80	\$8,000	\$16,000	\$1,760	\$11.00
0354 Spirits Distributor	\$1,320	104	\$137,280	\$274,560	\$30,202	\$145.20
0355 Spirits COA	\$200	86	\$17,200	\$34,400	\$3,784	\$22.00
0356 Auth Rep US Spirits COA	\$200	85	\$17,000	\$34,000	\$3,740	\$22.00
0357 Auth Rep Foreign SpiritsCOA	\$200	204	\$40,800	\$81,600	\$8,976	\$22.00
0390 MJ Producer Tier 1-3	\$1,000	250	\$250,000	\$500,000	\$55,000	\$110.00
0393 MJ Processor	\$1,000	150	\$150,000	\$300,000	\$33,000	\$110.00
0394 MJ Retailer	\$1,000	150	\$150,000	\$300,000	\$33,000	\$110.00
0399 Catering Spirts Beer Wine	\$1,000	2	\$2,000	\$4,000	\$440	\$110.00
0402 Beer Wine Theater	\$400	13	\$5,200	\$10,400	\$1,144	\$44.00
0403 Spirits Beer Wine Theater	\$2,000	1	\$2,000	\$4,000	\$440	\$220.00
0413 Senior Center	\$720	1	\$720	\$1,440	\$158	\$79.20
0420 Beer/Wine Gift Delivery	\$75	57	\$4,275	\$8,550	\$941	\$8.25
0422 Beer/Wine Specialty Shop	\$100	726	\$72,600	\$145,200	\$15,972	\$11.00
0423 B/Wspec Restrict Fort Wine	\$100	1	\$100	\$200	\$22	\$11.00
0424 Spirits/B/W Rest. Lounge+	\$1,600	2380	\$3,808,000	\$7,616,000	\$837,760	\$176.00
0425 Spirits/B/W Rest. Lou+Seas	\$1,600	8	\$12,800	\$25,600	\$2,816	\$176.00
0426 Spirits/B/W/Rest Lounge-	\$2,000	1457	\$2,914,000	\$5,828,000	\$641,080	\$220.00
0427Spirit/B/W/Rest Lunge-Seas	\$2,000	2	\$4,000	\$8,000	\$880	\$220.00
0430 S/B/W Rest Conv.Center+	\$1,600	4	\$6,400	\$12,800	\$1,408	\$176.00
0431 S/B/W Rest Conv. Center-	\$2,000	28	\$56,000	\$112,000	\$12,320	\$220.00
0433 S/B/W Rest Airport Bar+	\$1,600	4	\$6,400	\$12,800	\$1,408	\$176.00
0435 VIP Airport Lounge	\$2,000	6	\$12,000	\$24,000	\$2,640	\$220.00
0438 Hotel	\$2,000	152	\$304,000	\$608,000	\$66,880	\$220.00
0439 S/B/W/ Rest. Nonpublic+	\$1,600	7	\$11,200	\$22,400	\$2,464	\$176.00
0440 S/B/W Rest. Nonpublic-	\$2,000	4	\$8,000	\$16,000	\$1,760	\$220.00
0442 S/B/W Rest Serv Bar	\$1,000	760	\$760,000	\$1,520,000	\$167,200	\$110.00
0443 S/B/W Rest Serv Bar Seas	\$1,000	6	\$6,000	\$12,000	\$1,320	\$110.00
0444 S/B/W Rest Ship/Lounge+	\$1,600	3	\$4,800	\$9,600	\$1,056	\$176.00

**PL-N2 Modernization of Regulatory Systems - 11% Surcharge worksheet**

<b>Annual Renewals</b>	<b>Fee Amount</b>	<b># Annual Renewals</b>	<b>Annual Revenue</b>	<b>Biennial Amount</b>	<b>11% Revenue</b>	<b>Annual Surcharge 11 Percent</b>
0446 S/B/W Rest Ship/Lounge-	\$2,000	3	\$6,000	\$12,000	\$1,320	\$220.00
0449 Grocery RestrictF W/StrongB	\$150	9	\$1,350	\$2,700	\$297	\$16.50
0450 Grocery Store Beer/Wine	\$150	4762	\$714,300	\$1,428,600	\$157,146	\$16.50
0451 Grocery Restrict Fort Wine	\$150	44	\$6,600	\$13,200	\$1,452	\$16.50
0452 Beer/Wine Rest Beer	\$200	291	\$58,200	\$116,400	\$12,804	\$22.00
0453Beer/Wine Rest Beer Conces	\$200	1	\$200	\$400	\$44	\$22.00
0455 B/W Rest Beer Racetrack	\$200	3	\$600	\$1,200	\$132	\$22.00
0456 B/W Rest Beer W/Taproom	\$200	2	\$400	\$800	\$88	\$22.00
0457 Beer/Wine Rest Wine	\$200	35	\$7,000	\$14,000	\$1,540	\$22.00
0461 Beer/Wine W/Taproom	\$200	2	\$400	\$800	\$88	\$22.00
0462 Beer/Wine Rest B/W	\$400	2720	\$1,088,000	\$2,176,000	\$239,360	\$44.00
0463 B/W Rest B/W Concession	\$400	4	\$1,600	\$3,200	\$352	\$44.00
0464 B/W Rest B/W Ferry Boat	\$400	8	\$3,200	\$6,400	\$704	\$44.00
0466 B/W Rest B/W W/Taproom	\$400	90	\$36,000	\$72,000	\$7,920	\$44.00
0467 Motel	\$500	22	\$11,000	\$22,000	\$2,420	\$55.00
0468 Private Club B/W	\$180	10	\$1,800	\$3,600	\$396	\$19.80
0469 Private Club S/B/W	\$720	343	\$246,960	\$493,920	\$54,331	\$79.20
0473 Snack Bar	\$125	236	\$29,500	\$59,000	\$6,490	\$13.75
0474 Snack Bar Concession	\$125	2	\$250	\$500	\$55	\$13.75
0477 Sports Entertain. Facility	\$2,500	50	\$125,000	\$250,000	\$27,500	\$275.00
0478 Tavern Beer	\$200	13	\$2,600	\$5,200	\$572	\$22.00
0479 Tavern Wine	\$200	15	\$3,000	\$6,000	\$660	\$22.00
0480 Tavern Beer/Wine	\$400	200	\$80,000	\$160,000	\$17,600	\$44.00
0481 Nightclub	\$2,000	113	\$226,000	\$452,000	\$49,720	\$220.00
0482 Spirits Retailer	\$166	1169	\$194,054	\$388,108	\$42,692	\$18.26
0483 CLS Spirits Retailer	\$166	140	\$23,240	\$46,480	\$5,113	\$18.26
0484 SLS Spirits Retailer	\$166	111	\$18,426	\$36,852	\$4,054	\$18.26
0485 Wine Retailer Reseller	\$166	516	\$85,656	\$171,312	\$18,844	\$18.26
0486 Beer/Wine Tasting	\$200	389	\$77,800	\$155,600	\$17,116	\$22.00

**PL-N2 Modernization of Regulatory Systems - 11% Surcharge worksheet**

<b>Annual Renewals</b>	<b>Fee Amount</b>	<b># Annual Renewals</b>	<b>Annual Revenue</b>	<b>Biennial Amount</b>	<b>11% Revenue</b>	<b>Annual Surcharge 11 Percent</b>
0488 Off-Premise Sale Wine	\$120	446	\$53,520	\$107,040	\$11,774	\$13.20
0490 Caterer Duplicate	\$20	7	\$140	\$280	\$31	\$2.20
0491 Kegs to Go	\$120	439	\$52,680	\$105,360	\$11,590	\$13.20
0492 Farmers Market Wine Sales	\$75	81	\$6,075	\$12,150	\$1,337	\$8.25
0493 Farmers Market Beer Sales	\$75	13	\$975	\$1,950	\$215	\$8.25
0494 Off Premises Priv. Label W	\$120	14	\$1,680	\$3,360	\$370	\$13.20
0495 Catering	\$350	737	\$257,950	\$515,900	\$56,749	\$38.50
0496 Off Premises	\$120	812	\$97,440	\$194,880	\$21,437	\$13.20
0497 Off Premises Restrict Fort W	\$120	2	\$240	\$480	\$53	\$13.20
0498 International Exporter	\$500	4	\$2,000	\$4,000	\$440	\$55.00
0499 Non-Club Event	\$900	119	\$107,100	\$214,200	\$23,562	\$99.00
0707 Dup Public Priv Fac. Lic	\$20	13	\$260	\$520	\$57	\$2.20
0708 Dup Civic Center License	\$10	3	\$30	\$60	\$7	\$1.10
0709 CCI Duplicate Licenses	\$5	6	\$30	\$60	\$7	\$0.55
<b>SUBTOTAL</b>			<b>\$13,627,946</b>	<b>\$27,255,892</b>	<b>\$2,998,148</b>	
<b>Permits</b>						
Class 1	\$5	47	\$235	\$470	\$52	\$0.55
Class 2	\$10	402	\$4,020	\$8,040	\$884	\$1.10
Class 5	\$10	82	\$820	\$1,640	\$180	\$1.10
Class 6	\$5	29	\$145	\$290	\$32	\$0.55
Banquet Permits			\$360,000	\$720,000	\$79,200	
<b>SUBTOTAL</b>		30425	<b>\$365,220</b>	<b>\$730,440</b>	<b>\$80,348</b>	
					\$0	
					\$0	
<b>New Applications</b>			<b>\$1,651,887</b>	<b>\$3,303,774</b>	<b>\$363,415</b>	
					\$0	
<b>GRAND TOTAL FY 15-17</b>			<b>\$15,645,053</b>	<b>\$31,290,106</b>	<b>\$3,441,912</b>	

State of Washington  
Decision Package

**Agency:** **195 Liquor Control Board**

**Decision Package Code/Title:** N2 - MODERNIZATION OF REGULATORY SYSTEMS

**Budget Period:** 2015 - 2017

**Budget Level:** PL – Performance Level

**Recommendation Summary Text:**

The proposed project will replace the Washington State Liquor Control Board (WSLCB)'s legacy licensing, enforcement, imaging and stand-alone applications with an integrated solution built around a Commercial Off-the-Shelf (COTS) product managed in a cloud environment. The solution will involve significantly less technical complexity and allow for changes to license types. Risks related to data security, data integrity, and the potential catastrophic failure of existing systems will be removed. The public will experience better access to data; license holders and applicants will experience reduced processing time and improved self service capabilities.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
501-1 Liquor Revolving Account-State	\$1,860,600	\$1,460,400	\$3,321,000

**Package Description:**

The Washington State Liquor Control Board (WSLCB) is tasked with promoting public safety through consistent and fair administration of liquor and cannabis laws through education, voluntary compliance, responsible sales and preventing the misuse of alcohol, cannabis and tobacco. Factors that include the new licensing and enforcement activities related to cannabis, the requirement for flexibility to support specialized licenses, and the rapid growth in the number of licenses issued have created an environment of increased expectations on the agency, while their twenty-five year old COBOL based licensing application has not kept pace with the changing requirements. In a struggle to meet operational mandates, a patchwork of stand-alone or loosely integrated applications has evolved. These applications represent a serious risk to the agency and the state in the areas of data security, data integrity, and operational mission.

The proposed project will replace the WSLCB legacy licensing, enforcement, imaging and stand-alone applications with an integrated solution built around a Commercial Off-the-Shelf (COTS) product. The resultant solution will involve significantly less technical complexity than

the current environment. As a result, risks related to data security, data integrity, and the potential catastrophic failure of existing systems will be removed, and:

- The public will experience better access to data as a result of improved on-line data access; and improved safety and quality of life due to increased enforcement activities.
- License holders and applicants will experience reduced processing time, better and timelier communication, and improved self service capabilities.
- WSLCB staff will be able to work more efficiently and better serve the customer therefore providing greater job satisfaction. Routine administrative follow-up and responses to client status queries will be minimized through a combination of automation and customer self-service. Enforcement officers will spend more time in the field performing enforcement and training activities, and less time performing administrative tasks.

This project will last roughly two years, and require up to three separate acquisitions: one for the implementation and commercial off-the-shelf (COTS) solution provider; one for the project oversight manager; and one for the independent verification and validation (IV&V) vendor. The expected award value for as many four planned acquisitions, plus the contingency budget using industry norms applied to different categories of purchases, is shown below:

• Implementation Vendor	\$2,382,900
• Project Management	230,800
• IV & V Vendor	147,000
• QA/QC Vendor	193,900
• Contingency	366,400
<b>TOTAL</b>	<b>\$3,321,000</b>

The risk associated with proceeding forward with the project are high as measured using the OCIO (Office of Chief Information Officer) risk assessment survey, but the risks of doing nothing are very high. In a recent risk assessment of WSLCB operations, the number 1 and number 2 identified risks were the legacy system and data quality. The current systems place the agency and the state at an unacceptable position of risk. Data integrity is a major concern. Data is stored using a combination of paper files, stand-alone desktop files and on multiple different systems. Activities that require data access, including public records requests, reporting, and on-going business operations require extensive labor intensive manual work cross-checking data from the different data sources in an attempt to arrive at the correct composite data picture. The current software for the enforcement system does not support encryption and requires that copies of the data be stored locally on laptop machines for use in the field, resulting in significant security risks if a laptop is stolen.

## **Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

Specific goals of this project are:

- Retire the current AS/400 (the IBM operating system), Electronic Notebook (EN), imaging, and stand-alone Access applications as part of the final acceptance process for the new system.
- Achieve compliance with relevant portions of the National Institute of Standards and Technology (NIST) standards for data security (specifically NIST 800).
- Increase the number of services available on line including status of applications and on-line payments for services and taxes. This will be measured by reduction of complaints and volume of phone calls and increase use of on line services.
- Issue licenses on average 25 percent faster. Processing time is currently being tracked and a base year will be established and measured against processing time once the new system is completed and implemented.
- Increase accuracy and reduce the number of days required to respond to public record requests with information.
- Decrease processing time for collection of licensing revenue.
- Achieve a reduction in customer service inquiries and customer complaints due to client self-service enabled through the data warehouse and more information being available on the internet for public access.
- Reduce programming, work-around, and fixes to the existing systems with a reduction in costs through cost avoidance that will be measured against the repair alternative baseline described in section 4.2.2 of the attached feasibility report.
- Increase enforcement staff time in the field to provide education and increase public safety. This will be measured by an increase in the frequency of field contacts.

## **Performance Measure Detail**

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

Yes. A key objective to the strategies below is to migrate off of the AS/400.

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

**Strategy:** Implement a continuous process improvement culture that focuses on performance, accountability, and best practices.

**Strategy:** Use technology to effectively support business processes.

*Does this DP provide essential support to one or more of the Governor's Results Washington priorities?*

This decision package provides essential support to Goals 4 Healthy and Safe Community and Goal 5 Efficient, Effective and Accountable Government.

The Washington State Liquor Control Board (WSLCB) is tasked with promoting public safety through consistent and fair administration of liquor and cannabis laws through education, voluntary compliance, responsible sales and preventing the misuse of alcohol, cannabis and tobacco. Factors that include the new licensing and enforcement activities related to cannabis, the requirement for flexibility to support specialized licenses, and the rapid growth in the number of licenses issued have created an environment of increased expectations on the agency.

Establishing a data warehouse will allow the agency to become more transparent and accountable by making information and data accessible to the public and status of applications accessible to the licensee. Efficiency will increase by reducing licensing processing times, allowing customer access to information on line for status and payment and allowing enforcement officers to access to information on mobile devices and spend more time in the field. Customer satisfaction will increase as will job satisfaction allowing the WSLCB to become an "employer of choice". Routine administrative follow-up and responses to client status queries will be minimized through a combination of automation and customer self-services.

*What are the other important connections or impacts related to this proposal?*

None.

*What alternatives were explored by the agency, and why was this alternative chosen?*

Four alternatives were considered as part of this analysis:

- Maintain the status quo.
- Repair the current systems.

- Install a replacement system built around COTS software.
- Install a replacement system in phases.

### **Maintain the status quo.**

Initially, the option of doing nothing was reviewed as a baseline situation for analysis purposes. However, following our technical review of the current system, we concluded that this option represents an unacceptable degree of risk to the state and that it must be rejected without further consideration. In the current environment represents an unacceptable degree of risk in the areas of data security, data integrity, and agency operations. WSLCB's core licensing application is a COBOL application written more than twenty-five years ago. It lacks the capability to fully support the current WSLCB business mission, and as a result a series of grass-roots information technology patches have been used in an attempt to meet the agency operational requirements. These have included stand-alone Access applications, a document imaging application that is no longer supported by the manufacturer, and an Enforcement Notebook (EN) application that has deteriorated to the point where the agency is seriously considering moving back to completely manual processes for enforcement work.

Data integrity is a major concern. Data is stored using a combination of paper files, stand-alone desktop files, and on multiple different systems (e.g., licensing on the AS/400 and EN on the desktop). There is a lot of data redundancy, and the redundant data does not agree. There are orphaned records in the EN database that cannot be accessed from the application but require direct Structured Query Language (SQL) Server utility program use to find and retrieve. Historic data is erased by the system when licenses are transferred. All of this makes it difficult to guarantee accurate management reports, to respond correctly to public records requests, and to ensure full regulatory compliance. Activities that require data access, including public records requests, reporting, and on-going business operations require extensive labor intensive manual work cross-checking data from the different data sources in an attempt to arrive at the correct composite data picture.

Taking no action at all results in an unacceptable degree of risk in the areas of data security, data integrity, and agency operations.

### **Repair the current systems.**

- It would be difficult but possible to repair the current systems. The work would be a significant challenge both because the existing code bases would be a difficult starting point for development work, and because many of the problems with the existing system are core structural problems with the data access and persistence layers. To use an analogy with a house, we not only have a lot of visible problems to repair but the foundation also needs to be replaced. Because this option uses the existing systems but takes responsible action to reduce risk to the state to an acceptable level, this option is considered as the baseline or current situation. This option will require a major upgrade to the AS/400 COBOL code so that the AS/400 can function as a comprehensive system of record for WSLCB data, including added flexibility to support new license types and marijuana

requirements. The AS/400 is an aging platform which will require an upgrade, and the upgrade work represents a risk because legacy code documentation is often not up to date.

- The Enforcement Notebook has structural problems with the data access layer and persistence layers that result in significant issues of both data integrity and security, so these components would need to be completely rewritten. Major supporting modules containing business logic needed to avoid data redundancy are either not present or incorrectly implemented. Access control for field units would need to be reviewed and most likely upgraded, and data encryption added. Data synchronization is problematic even when properly implemented, so the entire field data access approach will need to be redesigned. Most reports currently do not work, which may be related to the data issues. Complete integration with the new AS/400 system of record would be needed to ensure accurate and close to real time reporting capabilities with consistent data. With these changes implemented, the user forms would need significant redesign work based on current work processes, enforcement regulations, and requirements related to new areas of enforcement, in particular marijuana.
- The imaging system will need to be upgraded. This will be a relatively straight-forward system upgrade, and the work required will be roughly equivalent to the work required under the replacement option.
- A data warehouse will need to be added to support public access to data and management reporting requirements. This work will be roughly equivalent to the work required under the replacement option.

The approximate cost of this option is \$4 million, which is \$700,000 more than replacing the systems with current technology and less risk.

### **Install a replacement system built around COTS software.**

With this option, a new COTS licensing and enforcement application will replace the following current systems:

- AS/400 (primarily licensing).
- Enforcement Notebook (primarily enforcement).
- Imaging (primarily licensing).
- Stand-alone Access applications (both)

The primary areas of work are:

- Installing and configuring the vendor COTS solution.

- Implementing replacement interfaces to external systems.
- Adding WSLCB specific additional capabilities.
- Converting existing WSLCB data and loading that data into the COTS solution.
- Implement a new data warehouse capability for reporting and external access by the public.
- Cloud deployments (internally or externally hosted) of development, production, test, data warehouse, and disaster recovery environments.
- Review current processes and licenses and create more efficient, less complicated solutions.

The proposed architecture will use virtual machine architecture deployed using a vendor or state hosted cloud environment. This is the recommended option. It has the least short term and long term costs and the lowest level of future risk.

### **Install a replacement system in phases.**

We considered the viability of replacing the current systems in phases. From a technical perspective this would be possible, although it would add roughly 25% to the project costs and increase the implementation risk. Based on the structures and stability of the existing systems, the only technically viable approach to doing a phased implementation would be as follows:

- Replace the document imaging system.
- Replace the EN application.
- Replace the stand-alone Access applications.
- Replace the AS/400 legacy application.
- Add a data warehouse and public access capability.

Unfortunately, this technically necessary order of implementation is exactly the reverse of the order that would be optimum from a value perspective. So under this approach we find that:

- Costs and risks are significantly higher than full replacement immediately.

- Current risks in the area of data security, data integrity, and agency operations are not resolved satisfactorily until several years out.
- Value to the agency and the state is minimal in the early years, with the areas of highest value-added not implemented until several years into the process.
- The existing stand-alone supporting applications written in Access will need to be moved to the AS/400, the Enforcement Notebook, or potentially a new application that is under suitable configuration and operational control.
- Because the repaired systems will involve major restructuring of the data persistence layers and the existing data has many data integrity issues, a complete data clean-up and conversion will be required.

For this reason, we rejected this alternative from further consideration.

Funding the initiative in phases increases cost, delays resolving risk related issues for several years, and delays realization of the primary benefits of the replacement effort until the final years of work.

*What are the consequences of adopting or not adopting this package?*

As noted in alternative one maintaining the current status quo there is significant risk to the system crashing with unsupported software. The risk is outlined under that alternative. The risk exposure is high due to security of the data and data integrity. Doing nothing will cost significantly more dollars to continue to repair and patch existing unsupported systems and the costs of data recovery. Ultimately turn-around times for issuance of licenses for liquor and marijuana will lengthen and the collection of fees and tax dollars will be delayed. The State's ability to fully implement and regulate I-502 (recreational marijuana) will be compromised.

*What is the relationship, if any, to the state's capital budget?*

None.

*What changes would be required to existing statutes, rules, or contracts, in order to implement the change?*

If this system is funded by the regulated industries, agency request legislation is necessary to add a new chapter to existing statutes to institute an 11% surcharge all licenses and permits for a two year period.

*Expenditure and revenue calculations and assumptions*

**Expenditure Assumptions:** Feasibility Study was conducted for the WSLCB on this project and cost of project and return on investment were calculated. That Study is attached. The cost for project oversight/management, IV&V and independent QA/QC represent industry benchmark costs for those categories. Contingency budget was estimated using industry norms applied to different categories of purchases. Several states that did similar projects were examined by the consultant and after adjustments were made to compare apples to apples the cost came out similar. That comparison is also included in the feasibility study.

**Revenue Assumptions:**

New revenue is not projected to result from this project. This decision package is presenting two options for funding.

1. General Fund
2. Agency Request Legislation that would establish an 11 percent surcharge for all new and renewed licenses and permits for a two year period beginning with those due for renewal or new one issues beginning July 1, 2015. The WSLCB has over 100 different license and permit fees set in statute. Each of the different fees would have an 11 percent surcharge for entire FY 2015-17 biennium after which the surcharge would sunset. The total revenue from the fees and permits (without a surcharge) are expected to total \$31.3 million dollars. The 11 percent surcharge would be expected to generate approximately \$3.4 million dollars. Revenue from the surcharge could exceed the cost of the project by \$121,000 which would allow for margin for error if some licensees do not renew. The legislation would put any left-over funds in a non-appropriated account for the sole purpose of paying future maintenance and upgrade of the new systems.

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

*One-time costs are as follows:*

- Implementation Vendor \$2,382,900  
This includes software, data conversion, implementation and training.
  - Project Management 230,800
  - IV & V Vendor 147,000
  - QA/QC Vendor 193,900
  - Contingency 366,400  
This number was devised by consultant based on actual projects of this size and nature.
- TOTAL \$3,321,000**

There are no on-going costs for FY 15-17. Maintenance and upgrade costs will begin in FY 2018 and could range from \$15,000 to \$20,000 a year.

<u>Object Detail</u>	<u>FY2016</u>	<u>FY2017</u>	<u>Total</u>
C Professional Service Contracts	\$1,860,600	\$1,460,400	\$3,321,000

State of Washington  
Decision Package

Agency: **195 Liquor Control Board**

Decision Package Code/Title: **N3 - RESTORATION OF ADMINISTRATIVE FUNDS**

Budget Period: **2015 - 2017**

Budget Level: **PL - Performance Level**

**Recommendation Summary Text:**

The Washington State Liquor Control Board (WSLCB) is requesting the restoration of administrative funding assumed eliminated in agency decision package A2- Reduction of Administration Funding. This funding request is for the restoration of administrative staff positions, restoring the budget for agency pool cars, restoring the cut to the agency training budget, and increasing the facilities budget.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
501-1 Liquor Revolving Account-State	\$544,848	\$544,848	\$1,089,696
	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Annual Average</u></b>
<b>Staffing</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>
<b>FTEs</b>			

**Package Description:**

The Office of Financial Management (OFM) directed agencies to reduce their operating budget by 15 percent below the existing maintenance level. The WSLCB's reduction was partly achieved by reducing administrative staff positions, eliminating funding for the agency pool cars, reducing the agency training budget, and facilities budget reductions.

This request seeks to restore those reductions.

Restore Administrative Staff Positions: \$671,345

WMS (Washington Management Service) 3 position:

The restoration of a WMS 3 position is estimated to cost \$109,326 per year. Job duties currently being accomplished by this position include:

- Direct the agency's performance accountability program under the State's Washington Results Program.
- Lead agency strategic planning efforts.
- Oversee and maintain agency's operational policies and procedures.
- Agency's small business liaison.

**Administrative Assistant 5 position:**

The restoration of the Administrative Assistant 5 position is estimated to cost \$70,818 per year. This position supports the Director's Office; restoring the position will allow the Director's Office to continue to efficiently and timely serve stakeholders.

**Contract Specialist 2 position:**

The restoration of a Contract Specialist 2 position is estimated to cost \$51,048 per year. This position allows the Support Services unit to effectively manage the turnaround time on RFP Request for Proposal (RFP) and larger procurements. This position also assists in meeting critical deadlines as it pertains to contracts and services needed by the WSLCB's Information Technology, Licensing and Enforcement divisions to carry out the agency's mission and statutory obligations.

**Administrative Assistant 4 position:**

The WSLCB would restore the Administrative Assistant 4 position in the Human Resources office, costing \$64,998 per year. This position supports the agency's HR Director. This position supports the HR Director, allowing the HR Director's to function efficiently and effectively. If not restored, the loss of this position will result in the HR director performing administrative support functions thereby underutilizing the position and significantly impeding the ability to perform key strategic functions.

**Human Resources Consultant 3 position to full-time:**

The Human Resources Consultant 3 position would be restored to full-time, costing \$39,483 per year. The HRC3 is the agency wellness coordinator and is responsible for implementing the governor's initiative on Wellness. This position also provides consultative service for two divisions, is our data security administrator for the Human Resource Management System (HRMS), and is the lead worker for employee data into HRMS.

**Restore the agency training budget: \$21,986**

The WSLCB's core training budget would be increased by \$21,986 to allow the agency to better take advantage of training opportunities.

**Restore pool car funding and vehicle maintenance allotments: \$51,920**

Restoring the funding for the WSLCB pool cars would allow the agency to keep pool cars at the agency headquarters, providing available transportation for agency business needs.

Restoring vehicle maintenance allotments will allow the WSLCB to better respond to unanticipated vehicle maintenance needs.

Restore Facilities budget: \$38,632

This budget is used to pay expenses related to the WSLCB headquarters building, such as rent, utilities, some mail costs, and building improvements. Restoring the cuts to this budget will allow the WSLCB to pay for conference room improvements and office remodeling.

Restore Goods and Services, Travel, and Capital Outlays: \$305,813

Goods & Services, Travel, and Capital Outlay budgets associated with the reduction of administrative staff would be restored, costing \$305,813. Restoration in training costs would have a positive effect on training opportunities for executive and management personnel. Restoration in printing costs will positively impact customers and stakeholders' ability for access to educational material on alcohol and marijuana education. Restoration in travel costs will have a positive impact on the agency executives' ability to participate in state and national conferences where topics related to alcohol, marijuana, licensing and tribal relations are discussed. A restoration to the capital outlay budget will make it easier to replace outdated or broken furniture or equipment.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

**Performance Measure Detail**

N/A

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

This decision package will have a positive impact on the WSLCB's ability to effectively manage internal controls, provide excellent customer service, focus on process improvement, be results driven, and provide employees with growth opportunities.

**Goal:** 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.

**Strategy:** Create a retail liquor licensing/regulatory model that is flexible to the business community, easy to administer yet provides effective public safety controls.

**Goal:** Educate and engage licensees, the public and other stakeholders in addressing issues related to alcohol, cannabis and tobacco.

**Strategy:** Enhance coordination and collaboration of statewide efforts.

**Strategy:** Educate and engage media, stakeholders, communities, general public.

**Strategy:** Continue and expand education and information for licensees.

**Goal:** Recruit, develop, retain and value a highly competent and diverse workforce capable of responding quickly and effectively to challenges in the regulatory and business environment.

**Strategy:** Develop a successful mid-management training/succession program that will address shifts in leadership, key/mission critical and technical roles, resulting in a stream of qualified and diverse candidates to fill vacancies.

This decision package will have a positive effect on the ability of the Support Services unit to continue providing excellent customer service and focusing on process improvement.

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

**Strategy:** Implement a continuous process improvement culture that focuses on performance, accountability, and best practices

*Does this DP provide essential support to one or more of the Governor's Results Washington priorities?*

The decision package aligns with the Governor's Results Washington priority #5 "Efficient, Effective and Accountable Government" by allowing the agency to have the resources needed to be effective and accountable to the citizens of Washington state. It will also have a positive impact on the agency's ability to effectively participate in Results Washington activities due to the restoration of the WMS3 position.

*What are the other important connections or impacts related to this proposal?*

The retaining of personnel in the Director's Office (WMS 3 and Administrative Assistant 5) would positively impact the office's ability to effectively address agency needs.

The retaining of a Contract Specialist 2 would allow the agency to meet important contract deadlines or for enforcement staff to have necessary tools to perform their duties such as firearms or cellphones. It would allow the agency to develop the licensing systems and process contracts in a timely manner.

*What alternatives were explored by the agency, and why was this alternative chosen?*

None.

*What are the consequences of adopting or not adopting this package?*

The consequences of not adopting this package would be that the WSLCB does not have the resources necessary to effectively accomplish its mission of public safety.

*What is the relationship, if any, to the state's capital budget?*

None.

*What changes would be required to existing statutes, rules, or contracts, in order to implement the change?*

None.

*Expenditure and revenue calculations and assumptions*

None.

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

All costs are ongoing.

<b><u>Object Detail</u></b>	<b><u>FY2016</u></b>	<b><u>FY2017</u></b>	<b><u>Total</u></b>
A Salaries	\$254,034	\$254,034	\$508,068
B Benefits	81,638	81,638	163,276
E Goods & Services	151,147	151,147	302,294
G Travel	54,429	54,429	108,858
J Capital Outlays	3,600	3,600	7,200
<b>Total objects</b>	<b>\$544,848</b>	<b>\$544,848</b>	<b>\$1,089,696</b>

State of Washington  
Decision Package

Agency: **195 Liquor Control Board**

Decision Package Code/Title: **N4 –RESTORATION OF FINANCE DIV FUNDING**

Budget Period: **2015 - 2017**

Budget Level: **PL – Performance Level**

**Recommendation Summary Text:**

The Washington State Liquor Control Board (WSLCB) is requesting restoration of funding assumed to be eliminated in agency decision package A3 – Reduction of Finance Division Funds. This request is to restore funding for three audit staff positions.

**Fiscal Detail**

Operating Expenditures	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
501-1 Liquor Revolving Account-State	<b>\$312,100</b>	<b>\$312,100</b>	<b>\$624,200</b>
Staffing	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Annual Average</u></b>
FTEs	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>

**Package Description:**

The Office of Financial Management (OFM) has directed agencies to reduce their operating budget by 15 percent below the existing maintenance level. The WSLCB achieved a portion of the 15% by eliminating three audit staff positions. This decision package if approved will restore those positions.

**Restored Positions \$424,908**

Audit staff positions:

The restoration of three Auditor 4 positions results in an estimated cost of \$212,454 per year for salary and benefits. The responsibilities of these positions are to conduct audits on the financial records of licensees who produce, purchase, and sell liquor in order to evaluate the accuracy of their tax and fee payments to the WSLCB, resolve reporting and payment errors, and to ensure the licensees are maintaining compliance with current state laws.

## Goods and Services and Travel \$199,292

The goods and services and travel budgets associated with the restoration of the three audit staff positions would also require restoration in order for the positions to perform their job duties, an estimated cost of \$99,646 per year.

## **Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

N/A

### **Performance Measure Detail**

N/A

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

Adoption of this decision package will allow the WSLCB to execute as intended the agency's strategy to create a retail liquor licensing/regulatory model that is easy to administer by providing the funds and staffing necessary to perform tax and fee audits on liquor licensees, maximizing opportunities to collect revenue due to the state and ensure licensee compliance with state laws.

**Goal:** 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

**Strategy:** Create a retail liquor licensing/regulatory model that is flexible to the business community, easy to administer yet provides effective public safety controls

*Does this DP provide essential support to one or more of the Governor's Results Washington priorities?*

This decision package does not provide essential support to any of the Governor's Results Washington priorities. However, this decision package would benefit the Governor's goal 5 (Efficient, Effective and Accountable Government) as it relates to a lean and efficient government.

*What are the other important connections or impacts related to this proposal?*

As of June 1, 2012, all liquor sales were privatized as a result of Initiative 1183 (I-1183) which moved retail spirit sales out of WSLCB state operated and contracted liquor stores and created a spirits retail license that allowed spirits to be sold in retail outlets such as grocery stores and specialty shops, increasing the number of spirit retailers from approximately 330 prior to I-1183 to approximately 1,400 as of September 2014. A holder of the spirits retail license is required by RCW 66.24.630 to pay a license issuance fee equal to seventeen percent of all spirits sales revenues. The fee payments are due quarterly in arrears to the WSLCB.

In order to ensure the accuracy of their quarterly license issuance fee payments and reporting records, it's necessary for the WSLCB audit staff to conduct regular audits on the spirit retail licensees. The WSLCB currently has an audit staff consisting of nine Auditor 4's who conducted 153 spirit retail license issuance fee audits throughout the state in fiscal year 2014 that resulted in \$723,500 being identified for collection, an average of \$80,389 per WSLCB Auditor 4.

Also in fiscal year 2014, the WSLCB audit staff conducted an additional 209 tax audits on licensees who produce, purchase, or sell beer and or wine and identified \$25,000 in taxes to be collected, bringing the total tax and fee amount identified for collection by the WSLCB audit staff in fiscal year 2014 to \$748,500, an average of \$83,167 per WSLCB Auditor 4, that would have likely gone unrecognized and uncollected had the audits not be conducted.

*What alternatives were explored by the agency, and why was this alternative chosen?*

None

*What are the consequences of adopting or not adopting this package?*

If this package is not adopted, the WSLCB's ability to remain successful in achieving its mission of promoting public safety by consistent and fair administration of liquor laws will be hampered by further reductions to the agency's already limited resources.

The number of liquor licensee audits conducted per year will be reduced by approximately 33% and the period of time between audits of each liquor licensee will be extended which results in lost opportunities to identify and collect liquor tax and fee revenue due to the state and decreased compliance with state laws by the licensees.

*What is the relationship, if any, to the state's capital budget?*

None

*What changes would be required to existing statutes, rules, or contracts, in order to implement the change?*

None

*Expenditure and revenue calculations and assumptions*

#### Expenditure Calculations and Assumptions

The funding requested in this package is to restore three audit staff positions. The expenditures represent the restoration of the salary and benefits, goods and services, travel and vehicle budgets for the restored positions.

## Revenue Calculations and Assumptions

No additional revenue is associated with this decision package.

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

All cost estimates are ongoing.

<b><u>Object Detail</u></b>	<b><u>FY2016</u></b>	<b><u>FY2017</u></b>	<b><u>Total</u></b>
A Salaries	\$159,444	\$159,444	\$318,888
B Benefits	53,010	53,010	106,020
E Goods & Services	67,819	67,819	135,638
G Travel	31,827	31,827	63,654
<b>Total objects</b>	<b>\$312,100</b>	<b>\$312,100</b>	<b>\$624,200</b>

State of Washington  
Decision Package

**Agency:** **195 Liquor Control Board**

**Decision Package Code/Title:** N5 – RESTORATION OF TAX SYSTEMS FUNDING

**Budget Period:** 2015 - 2017

**Budget Level:** PL – Performance Level

**Recommendation Summary Text:**

This decision package request is for the Washington State Liquor Control Board (WSLCB) to restore the maintenance costs for the agency’s Spirits, Beer & Wine tax systems. These two tax solutions are in-house developed tax platforms. The agency utilizes outside developers to assist the WSLCB in making changes to the system. The agency is also in the process of migrating the Spirits, Beer & Wine system to an off the shelf tax solution currently used for Marijuana Tax. Funds are required to keep the system compliant, functioning, and maintained.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
501-1 Liquor Revolving Account-State	\$170,000	\$170,000	\$340,000

**Package Description:**

The WSLCB’s Information Technology division is requesting to buy back the funding for the Spirits, and Beer & Wine tax collection system for maintenance, regulatory changes, and support.

Currently the agency is using three different and distinct systems platforms for tracking accounting information (like sales, taxes, and fees paid) for the different licensees that we authorize: one for Beer & Wine, another for Spirits, and yet another for marijuana. Over the next biennium the strategy will be to consolidate the Beer and Wine system that was developed in-house with a COTS (commercial off-the-shelf) solution that was implemented recently for Marijuana Tax. Whether we keep Beer & Wine on its current independent in-house developed tax system platform, or migrate it to a COTS tax product that we have internally, the funds are required to keep the system compliant, functioning, and maintained.

The long term goal will be to reduce the number of tax accounting platforms we maintain. The funds allocated for the tax systems are required so our agency can continue to complete its mission to the state regarding proper collection and accounting of licensee tax, sales, and fees.

## **Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

N/A

### **Performance Measure Detail**

N/A

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

This decision package is essential to implement the agency strategy listed below.

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

**Strategy:** Use technology to effectively support business processes

*Does this DP provide essential support to one or more of the Governor's Results Washington priorities?*

Yes. This decision package provides essential support of the Governor's Results Washington priority "Efficient, effective & Accountable Government" in the areas of customer satisfaction and increased customer confidence through the timely support and maintenance of the tax systems that Spirit, and Beer/Wine licensees interact with. In addition, this supports the businesses and state decision makers to make better data driven decisions.

*What are the other important connections or impacts related to this proposal?*

Currently, the in-house custom developed tax systems require fixes, patches, workarounds, and a high level of maintenance to meet the business process needs. Without funding, we may not be able to afford to make some of the changes that are needed to accurately report or reflect sales, tax, and fees collected or owed from liquor licensees.

*What alternatives were explored by the agency, and why was this alternative chosen?*

We explored hiring additional skilled staff to assist with the maintenance and up keep of the three tax systems. Guidance from the state OCIO (Office of the Chief Information Officer) is to move toward more COTS and SaaS (Software as a Service) solutions, which is less expensive over the life of the application, as opposed to the difficulty recruiting and retaining staff with the skill sets needed to maintain three systems.

*What are the consequences of adopting or not adopting this package?*

If this package is not adopted, it will impact the ability to provide timely, appropriate, and adequate maintenance, enhancements, and support to the existing tax systems.

*What is the relationship, if any, to the state's capital budget?*

None.

*What changes would be required to existing statutes, rules, or contracts, in order to implement the change?*

None.

*Expenditure and revenue calculations and assumptions*

Expenditures will be split equally into each year of the biennium by moving one system a year into the new SaaS (Software as a Service) solution.

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

Costs are ongoing for contracted staff to maintain and update the systems that support the liquor sales and distribution tax collection process.

<b><u>Object Detail</u></b>	<b><u>FY2016</u></b>	<b><u>FY2017</u></b>	<b><u>Total</u></b>
C Professional Service Contracts	\$130,000	\$130,000	\$260,000
J Capital Outlays	40,000	40,000	80,000
<b>Total objects</b>	<b>\$170,000</b>	<b>\$170,000</b>	<b>\$340,000</b>

State of Washington  
Decision Package

Agency: **195 Liquor Control Board**

Decision Package Code/Title: **N6 – TRACEABILITY SYSTEM & STAFF FUNDING**

Budget Period: **2015 - 2017**

Budget Level: **PL - Performance Level**

**Recommendation Summary Text:**

The Washington State Liquor Control Board (WSLCB) requests funding to maintain the Marijuana Seed-To-Sale Traceability System and for additional staff to continue to effectively administer the recreational marijuana market.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
315-1 Dedicated Marijuana Acct-State	\$461,750	\$569,000	\$1,030,750
	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Annual Average</u></b>
<b>Staffing</b>			
FTEs	3.0	4.0	3.5

**Package Description:**

**Traceability System: \$460,000**

This request seeks funding for the ongoing maintenance and support of the Seed-to-Sale tracking system. The system is a vital tool for tracking and monitoring all marijuana plants from germination or cloning, through the growth cycle, processing and packaging, monitoring quality assurance lab test results, and retail transaction data by marijuana licensees through all stages of the supply chain to help prevent diversion, promote public safety, and collect tax revenue.

The 2014 Legislature appropriated funds for the initial development (\$782,000) but not the ongoing maintenance and support costs, and directed the agency to request the ongoing maintenance portion in the 2015-17 request.

The agency has determined that it needs \$230,000 per year to maintain and support the system through the software vendor contract.

**Additional staffing:**

The agency has additional staffing needs to implement and administer the recreational marijuana market.

**Contract Specialist 2: \$153,200**

The contract workload associated with the implementation and administration of marijuana has become too much for the existing contract staff to adequately handle, so the WSLCB is requesting funding for an additional staff member in the Support Services unit.

**Regulatory Analyst 4: \$181,600**

This position will serve as a supervisor for the Marijuana Examiners (Regulatory Analyst 3).

**Auditor 4: \$85,800**

The WSLCB previously received funding for two auditors to assist with the growth in the audit workload as a result of the implementation of the recreational marijuana market. It has become evident, however, that the workload will be more than previously estimated, and so the agency is requesting funding for an additional auditor to start July 1st, 2016.

**Property and Evidence Custodian: \$150,150**

With the implementation of I-502 (recreational marijuana), the WSLCB has identified a centralized storage facility to meet standards for proper chain of custody and control of evidence for alcohol and drug-related cases. This was a significant change, as the added responsibilities of recreational marijuana included evidence handling involving felony criminal cases, whereas previous criminal work with alcohol and tobacco primarily involved gross misdemeanors.

The facility is designed to accommodate a variety of evidence, including alcohol, tobacco, marijuana, cash, firearms, documents, associated manufacturing equipment, and vehicles. Chain of custody integrity requires oversight and consistency in training and accountability. In order to improve system integrity and cut down on re-work from multiple people handling evidence, an evidence custodian is needed. The evidence custodian will be assigned oversight of the evidence statewide to maintain chain-of-custody on evidence, and manage the statewide tracking system.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

N/A

**Performance Measure Detail**

N/A

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

Yes - see below.

**Goal:** 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

**Strategy:** Implementation of Initiative 502, an act that authorizes the WSLCB to regulate and tax cannabis for persons twenty-one years of age or older

*Does this DP provide essential support to one or more of the Governor's Results Washington priorities?*

Yes - it supports the Governor's Results Washington priority #5- "Efficient, Effective and Accountable Government" by ensuring that the agency has the software necessary to administer the recreational marijuana market, and enough staff to operate efficiently and effectively.

*What are the other important connections or impacts related to this proposal?*

*What alternatives were explored by the agency, and why was this alternative chosen?*

No other alternatives were explored.

*What are the consequences of adopting or not adopting this package?*

If the maintenance and support for the traceability system, a vital part of the implementation of the recreational marijuana market, is not funded, the agency may have to reduce the budget for operations in order to fund this vital software. Also, if the additional staff is not approved, the workload on existing staff will continue to increase as more marijuana producer, processor and retailer licenses are approved.

*What is the relationship, if any, to the state's capital budget?*

None.

*What changes would be required to existing statutes, rules, or contracts, in order to implement the change?*

None.

*Expenditure and revenue calculations and assumptions*

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

All costs are assumed to be ongoing. Future biennia costs will be the same as FY 2017 (\$569,000 per year)

<u>Object Detail</u>	<u>FY2016</u>	<u>FY2017</u>	<u>Total</u>
A Salaries And Wages	\$168,582	\$221,730	\$390,312
B Employee Benefits	52,638	70,308	122,946
C Professional Service Contracts	230,000	230,000	460,000
E Goods & Services	10,530	12,112	22,642
G Travel		34,850	34,850
<b>Total objects</b>	<b>\$461,750</b>	<b>\$569,000</b>	<b>\$1,030,750</b>

State of Washington  
Decision Package

**Agency:** **195 Liquor Control Board**

**Decision Package Code/Title:** N7 - UNEMPLOYMENT COSTS – 15% REDUCTION

**Budget Period:** 2015 - 2017

**Budget Level:** PL - Performance Level

**Recommendation Summary Text:**

The Washington State Liquor Control Board (WSLCB) is requesting funding for unemployment costs in the 2015-2017 biennium. These costs are associated with agency staff being laid off as a result of the 15% reduction required to rebase our operating budget.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
501-1 Liquor Revolving Account-State	\$182,300	\$20,000	\$202,300

**Package Description:**

The OFM Memo of June 13<sup>th</sup>, 2014 directs agencies to rebase their budgets at 15% below their existing base budget. Following this direction, the WSLCB anticipates laying off 24 current staff. It is assumed that all of these employees will apply for unemployment.

Funding this request will ensure that the agency will not have to expend budgeted operating program dollars to meet unemployment benefit liabilities.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

**Performance Measure Detail**

N/A

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

**Goal:** 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.

**Strategy:** Enhance the LCB's effectiveness in addressing liquor related public safety issues

*Does this DP provide essential support to one or more of the Governor's Results Washington priorities?*

Yes, Priority #5 – Funding this request will allow the WSLCB to provide the highest level of “efficient, effective, and accountable government” by not leaving the agency with an unfunded liability.

*What are the other important connections or impacts related to this proposal?*

These layoffs are as a result of the OFM Memo of June 13, 2014.

*What alternatives were explored by the agency, and why was this alternative chosen?*

No other alternatives were explored. Not funding this request would reduce the already constrained operating budget of the WSLCB.

*What are the consequences of adopting or not adopting this package?*

If this package is adopted, the agency would not have to expend already constrained resources on unemployment costs. If this package is not adopted, the WSLCB would need to reduce public safety services in order to fund the unemployment costs.

*What is the relationship, if any, to the state's capital budget?*

None.

*What changes would be required to existing statutes, rules, or contracts, in order to implement the change?*

None.

*Expenditure and revenue calculations and assumptions*

Costs are assumed at \$7,300 per employee, paid over three quarters, with some lingering payout costs at \$5,000 per quarter. This is based on analysis of unemployment costs the agency paid as a result of the passage of Initiative 1183 (liquor privatization).

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

All costs are assumed to be one-time.

<b><u>Object Detail</u></b>	<b><u>FY2016</u></b>	<b><u>FY2017</u></b>	<b><u>Total</u></b>
B Benefits	\$182,300	\$20,000	\$202,300
<b>Total objects</b>	<b>\$182,300</b>	<b>\$20,000</b>	<b>\$202,300</b>

State of Washington  
Decision Package

Agency: **195 Liquor Control Board**

Decision Package Code/Title: **N8 - UNEMPLOYMENT COSTS – INITIATIVE 502**

Budget Period: **2015 - 2017**

Budget Level: **PL - Performance Level**

**Recommendation Summary Text:**

The Washington State Liquor Control Board (WSLCB) requests funding for unemployment costs in the 2015-2017 biennium. A number of licensing staff were hired on a temporary basis to assist in processing the large volume of marijuana license applications received as a result of I-502. These non-permanent staff will be laid off and eligible for unemployment benefits.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
315-1 Dedicated Marijuana Acct-State	\$119,250	\$12,000	\$131,250

**Package Description:**

Due to the passage of I-502 (recreational marijuana), 16 licensing staff were hired on a non-permanent basis to assist in processing the large volume of marijuana license applicants that were received during the application window in November of 2013. These staff will be laid off once these applications have been processed.

Funding this request will ensure that the WSLCB will not have to expend budgeted operating program dollars to meet unemployment benefit liabilities.

## **Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

### **Performance Measure Detail**

N/A

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

**Goal:** 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.

**Strategy:** Enhance the LCB's effectiveness in addressing liquor related public safety issues

*Does this DP provide essential support to one or more of the Governor's Results Washington priorities?*

Yes, Priority #5 – Funding this request will allow the WSLCB to provide the highest level of “efficient, effective, and accountable government” by not leaving the agency with an unfunded liability.

*What are the other important connections or impacts related to this proposal?*

Initiative 502 was passed by the voters of Washington State in November of 2012.

*What alternatives were explored by the agency, and why was this alternative chosen?*

No other alternatives were explored. Not funding this request would reduce the already constrained operating budget of the WSLCB.

*What are the consequences of adopting or not adopting this package?*

If this package is adopted, the WSLCB would not have to expend already strained resources on unemployment costs. If this package is not adopted, the WSLCB would need to reduce public safety services in order to fund the unemployment costs.

*What is the relationship, if any, to the state's capital budget?*

None.

*What changes would be required to existing statutes, rules, or contracts, in order to implement the change?*

None.

### ***Expenditure and revenue calculations and assumptions***

Costs are assumed at \$7,300 per employee, paid over three quarters, with some lingering payout costs at \$3,000 per quarter. This is based on analysis of unemployment costs the agency paid as a

result of the passage of Initiative 1183 (liquor privatization).

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

All costs are assumed to be one-time.

<b><u>Object Detail</u></b>	<b><u>FY2016</u></b>	<b><u>FY2017</u></b>	<b><u>Total</u></b>
B Benefits	\$119,250	\$12,000	\$131,250

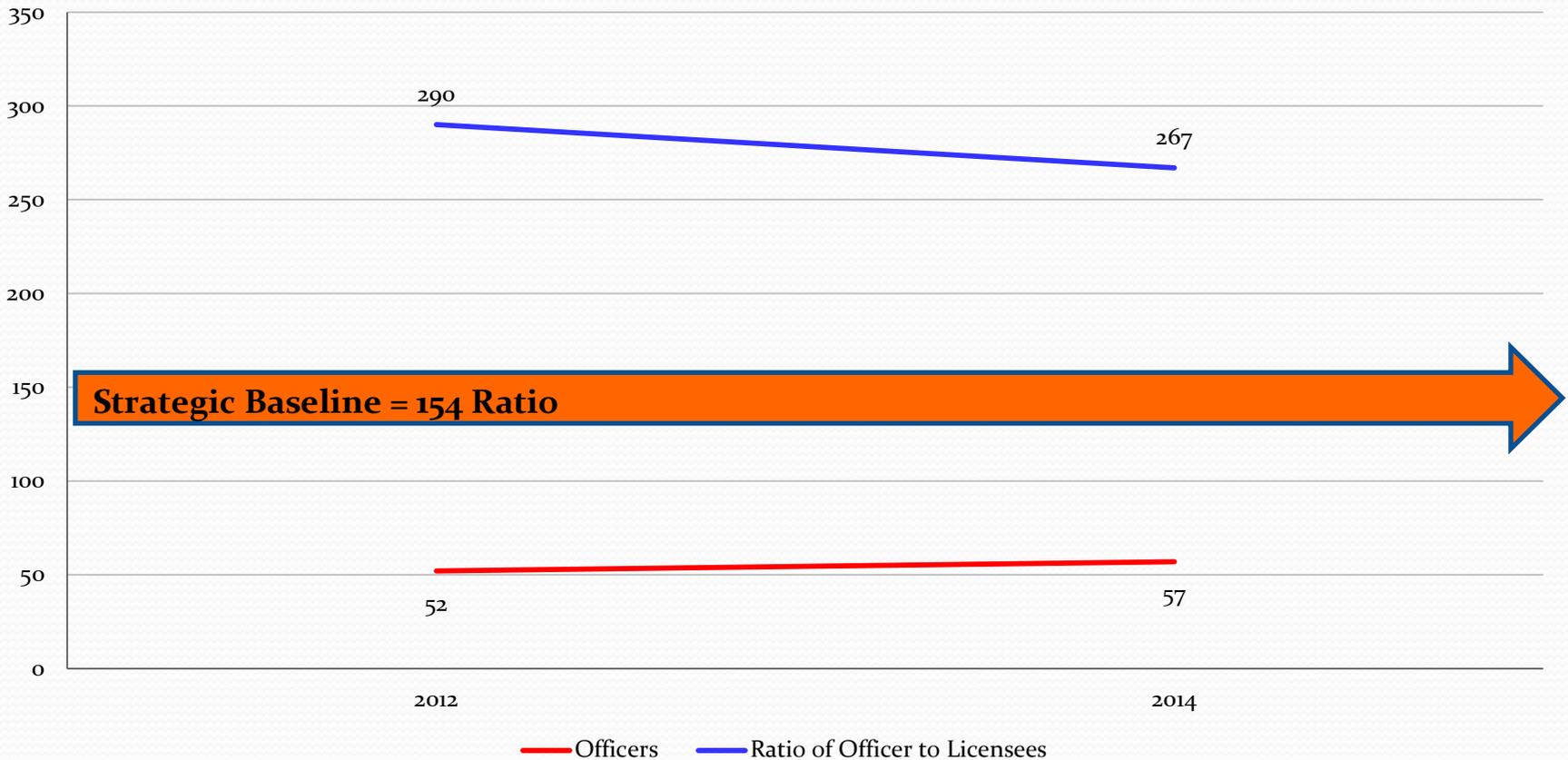
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11. Banquet Permits
12. DUI Referrals
13. Field Increment Application and Accountability
14. Annual Strategic Operation Plan
15. Annual Strategic Operation Plan by Work Load Indicators
16. Assignment of Field Increments to Work Load Indicators
17. Office Space Projections
18. Staffing Deployment
19. Fiscal Detail



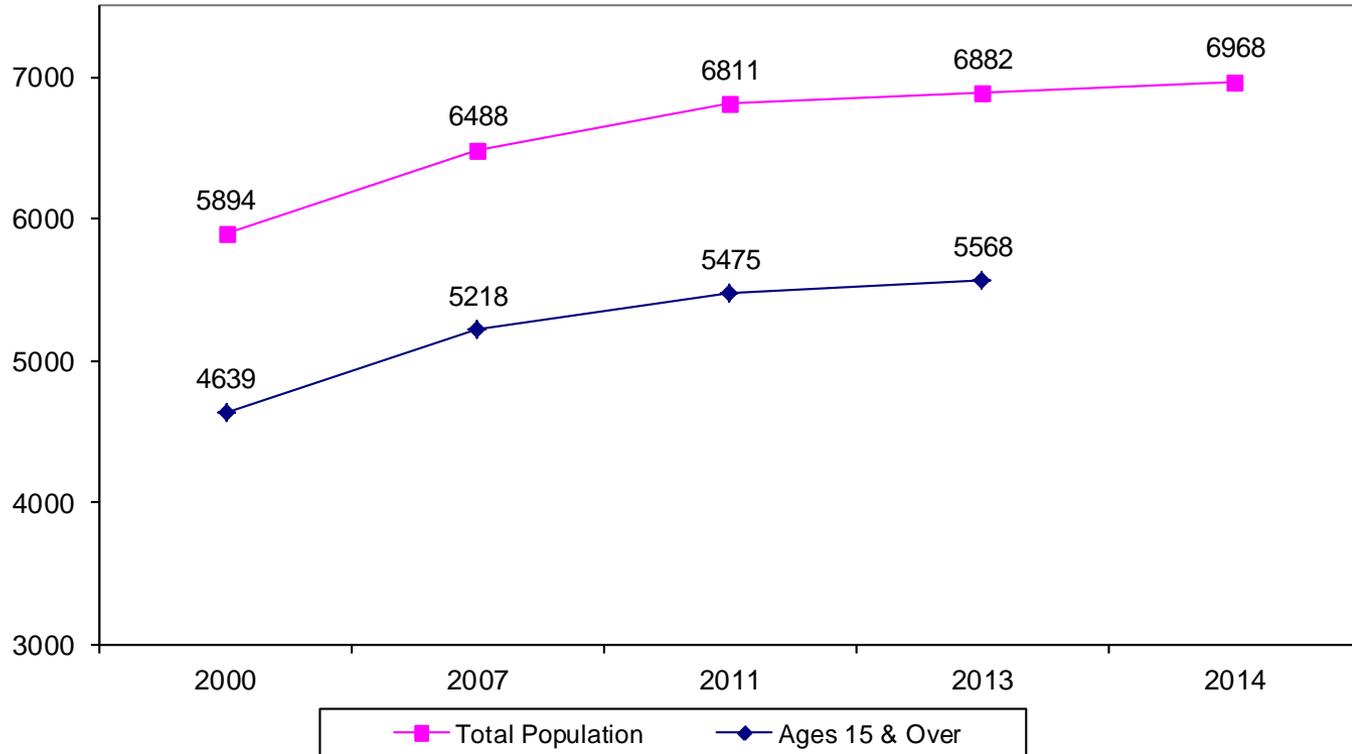
# Washington State Liquor Control Board

## Officer to Licensee Ratio





# Washington State Liquor Control Board

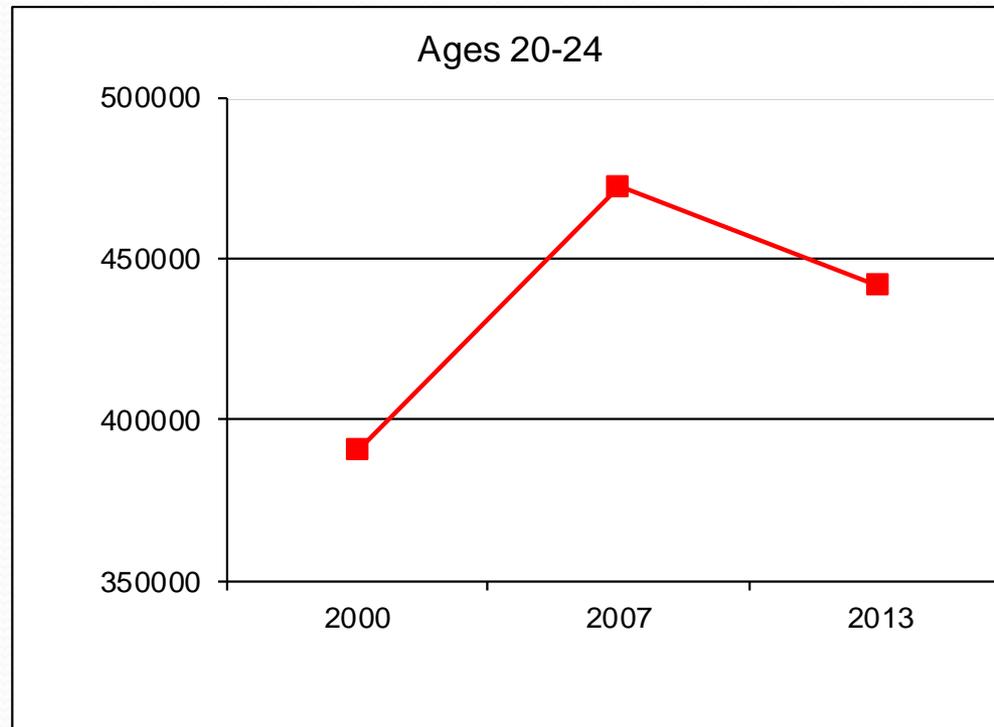


## 2000-2013 Trend Growth Increases

- State 17%
- Ages 15 & Over 20%



# Washington State Liquor Control Board

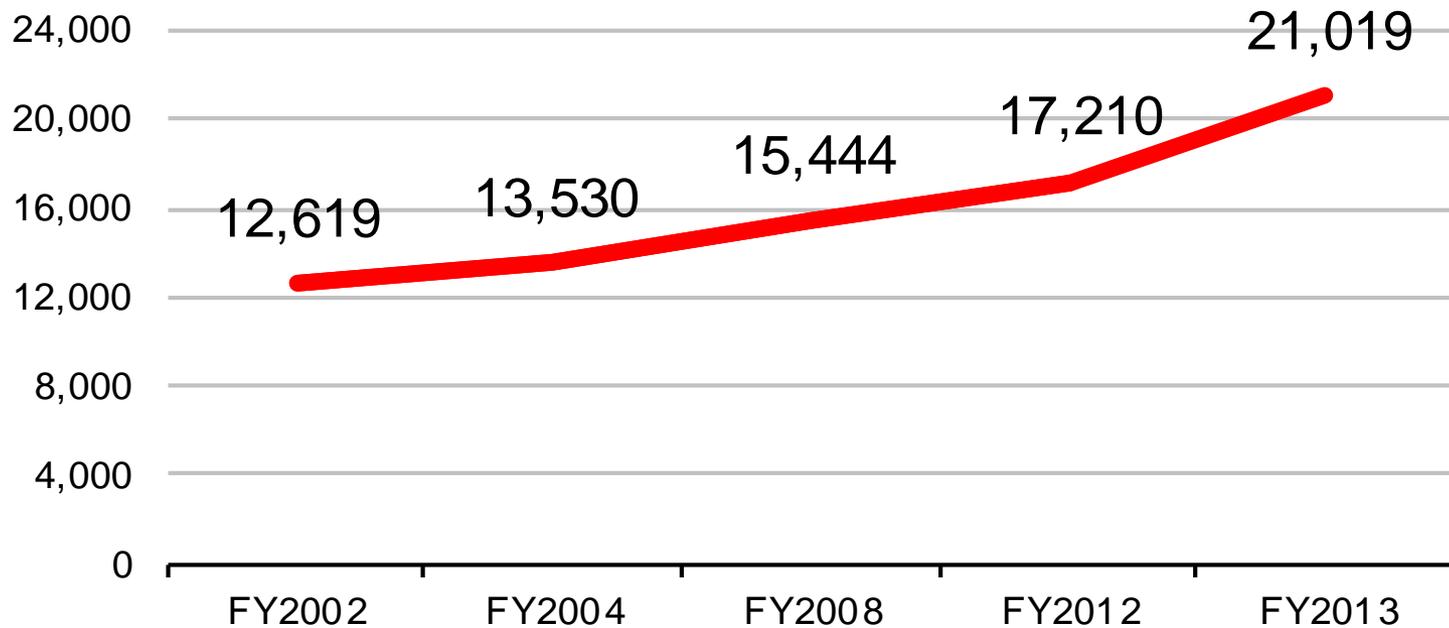


**13.1% Increase In Ages 20-24 Population**



# Washington State Liquor Control Board

## Active Retail Licensees



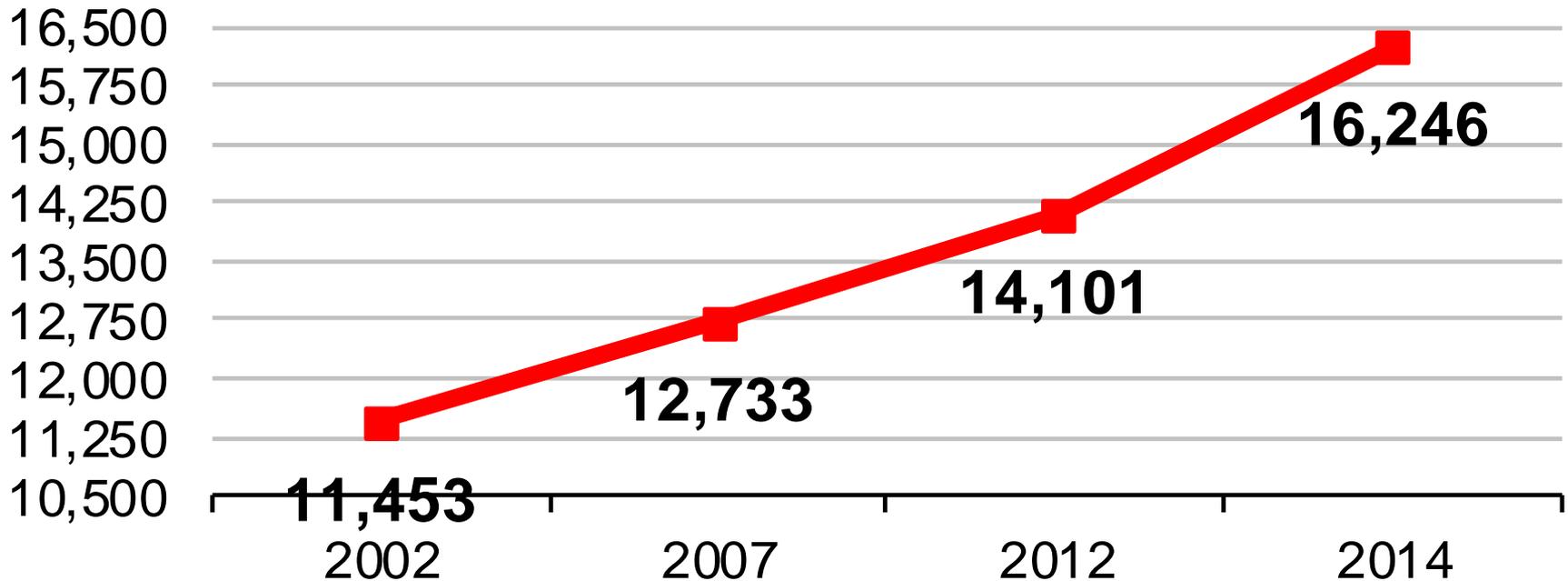
**67% Growth Increase over 10 years**



# Washington State Liquor Control Board

## Selected Retail License Categories Growth Trend

(SWB Restaurants, B/W Rest., Grocery Stores, Taverns, Sports/Entertainment)

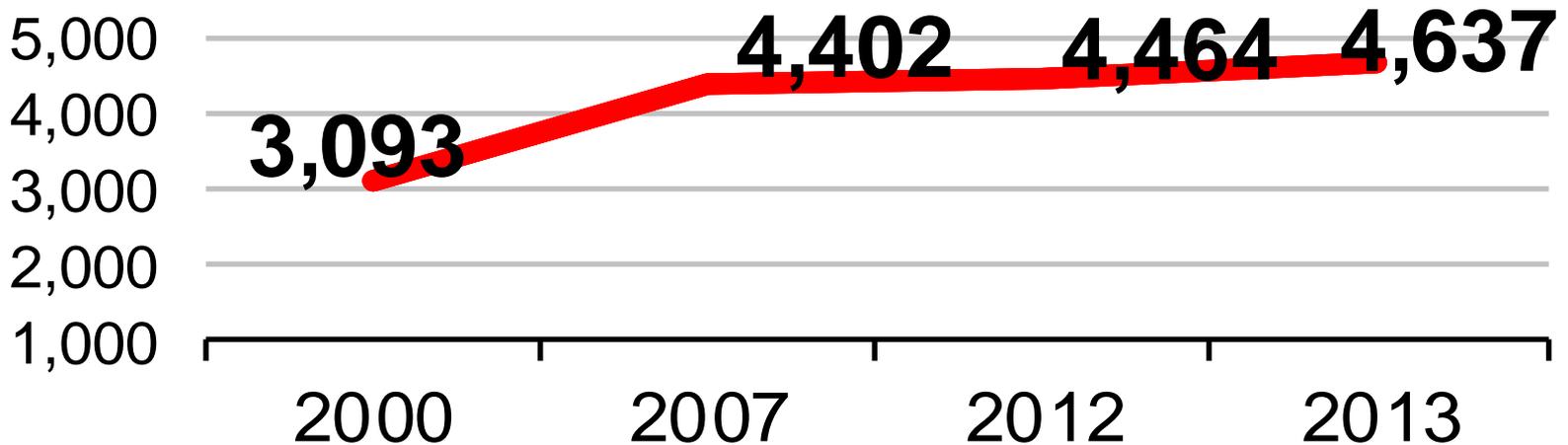


**41.8% Growth Increase over 10 years**



# Washington State Liquor Control Board

## S/B/W Restaurants

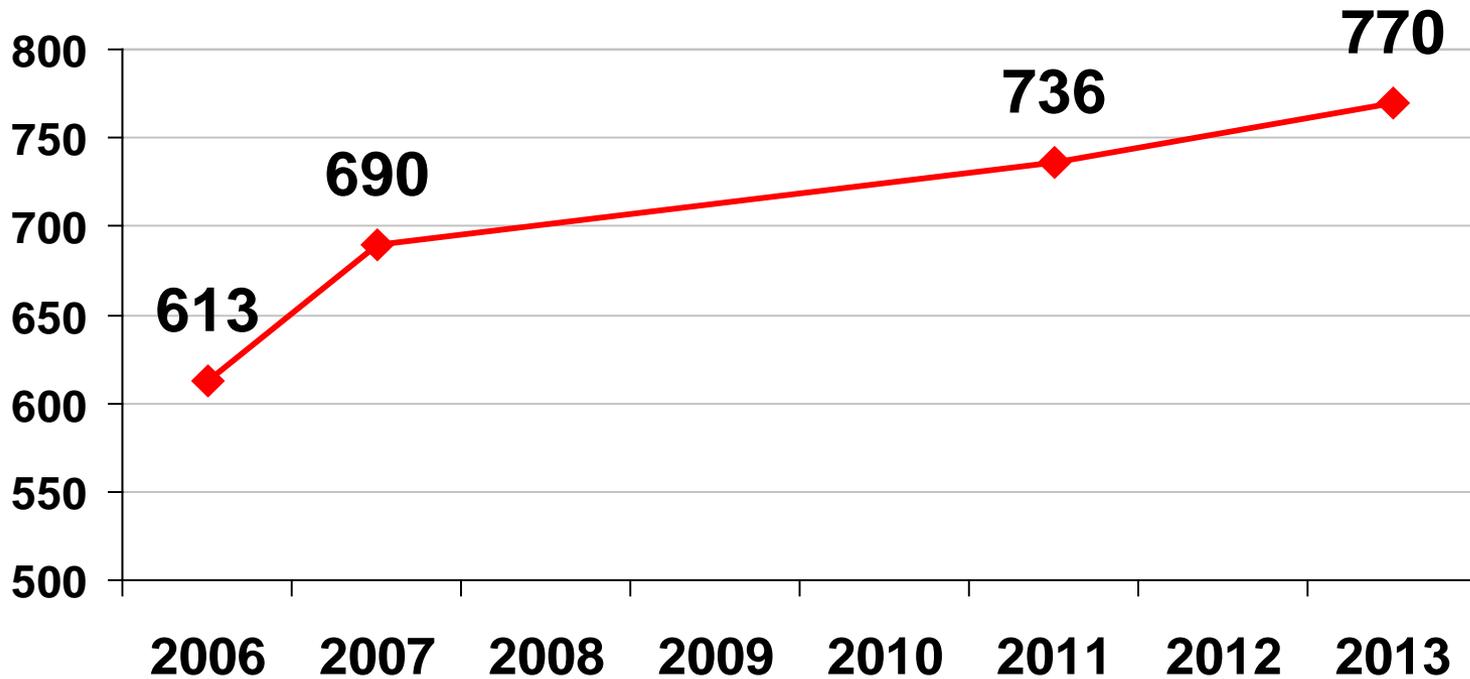


**Approx. 50% Growth Increase since 2000**



# Washington State Liquor Control Board

## Service Bars

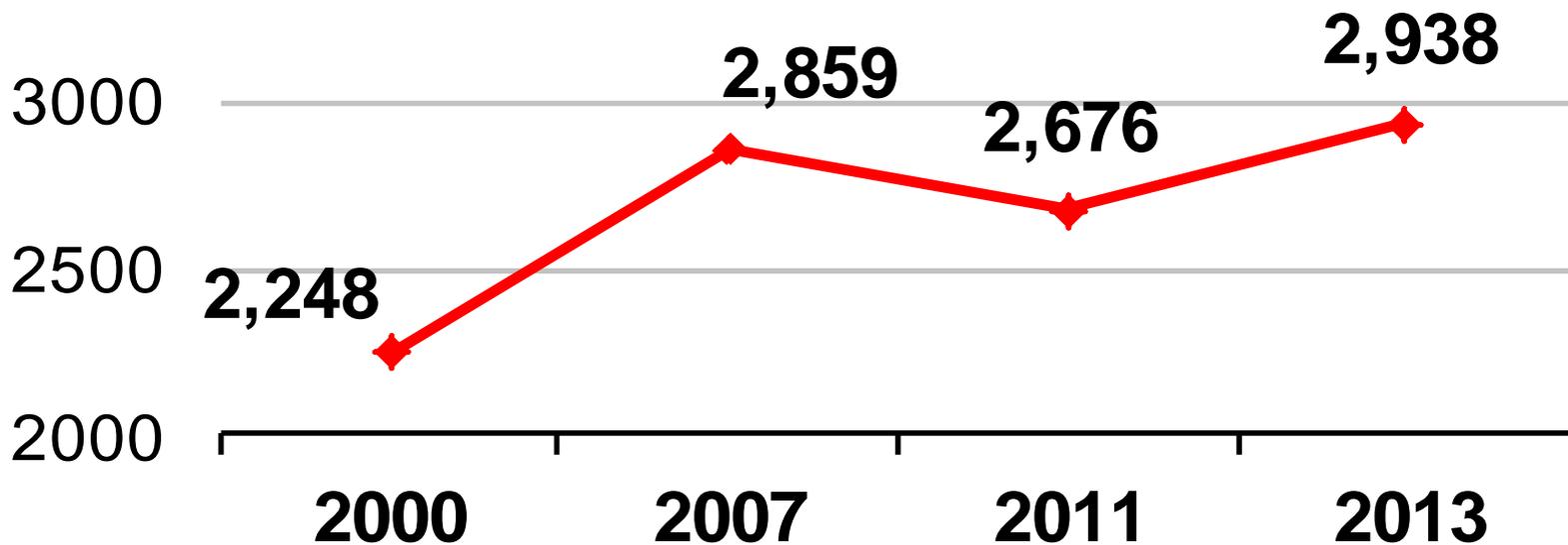


**25% Growth Increase over 6 years**



# Washington State Liquor Control Board

## Beer/Wine Restaurants

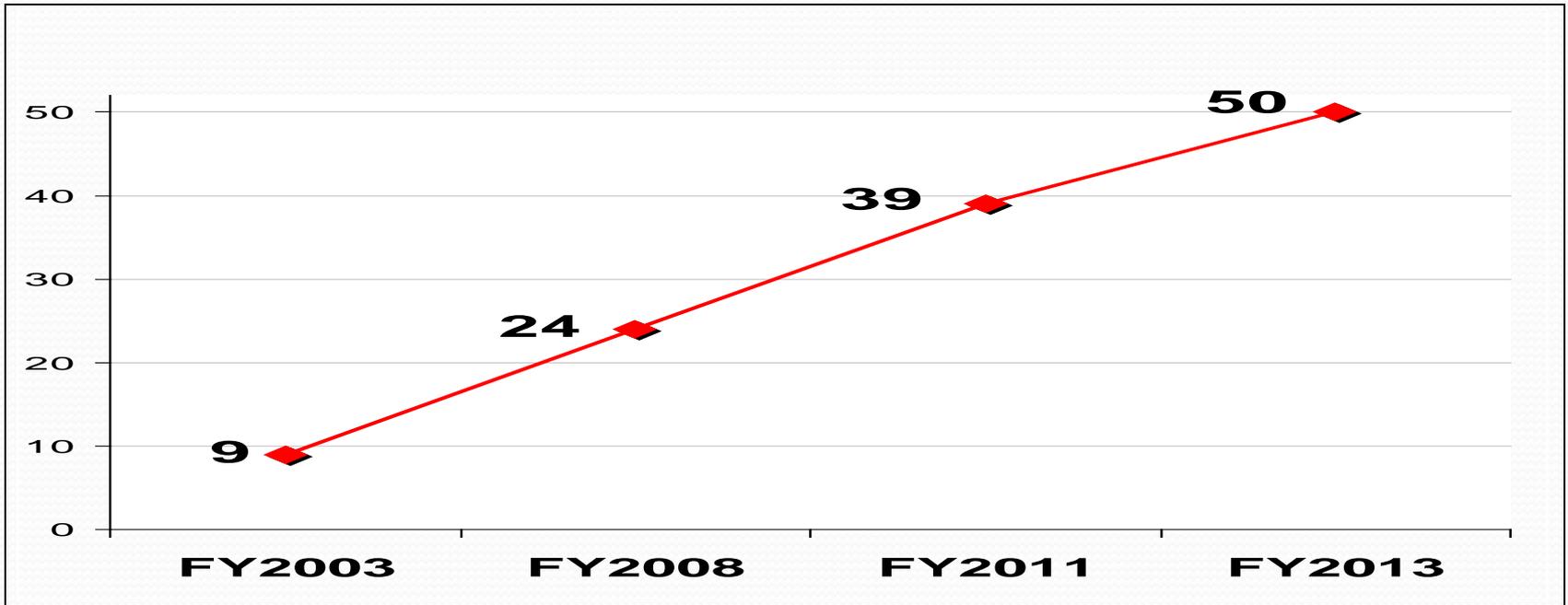


**30% Growth Increase since 2000**



# Washington State Liquor Control Board

## Sports/Entertainment Licenses

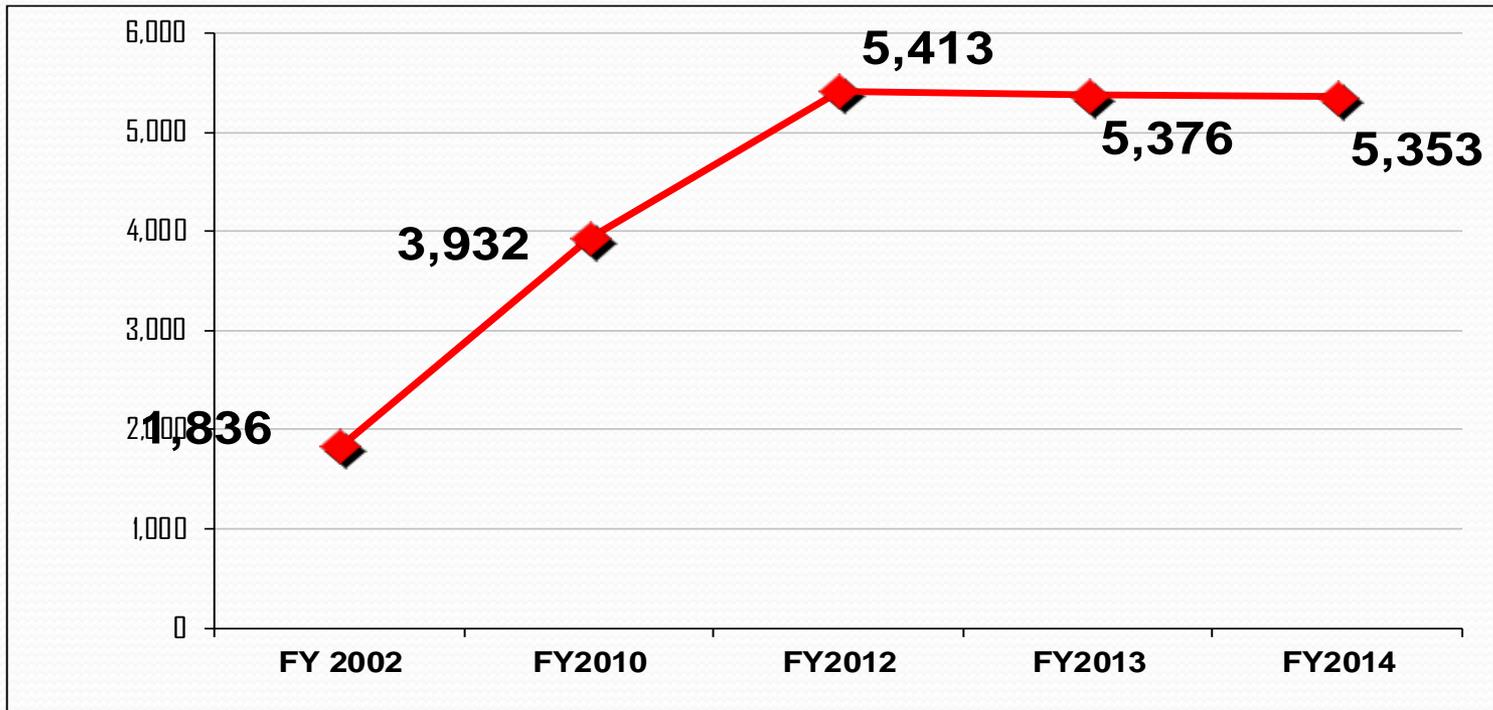


LICENSEE	VENUE	SEATS	YEARLY VISITORS
CenturyLink Field - Seattle	Large, Metro. Area	72,000	Over 1 million
Yakima Valley Sun Dome - Yakima	Small, Rural Area	6,000	Under 250,000
Gorge Amphitheater - Quincy	Large, Rural Area	20,000	Over 1 million



# Washington State Liquor Control Board

## Special Occasion Permit Days



**Since 2012, 195% Growth Increase over 10 years**

*\*Last two years, due to system changes, normal growth interrupted.*

Data Source: LCB Licensing and Regulation Division



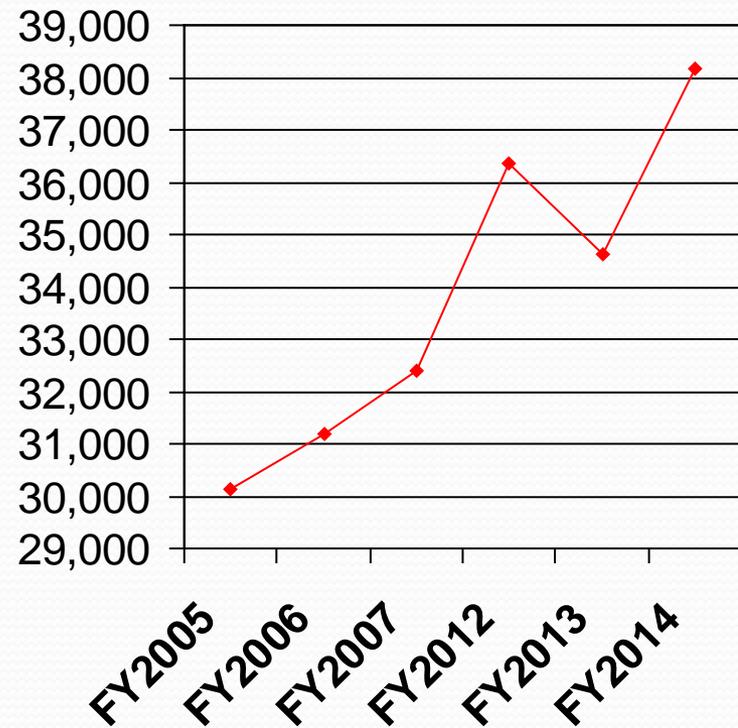
# Washington State Liquor Control Board

## Banquet Permits

- Number of Permits Issued Increased **26.7%** between FY2005 to FY2014
- \$381,590 was collected in FY2014

Source: LCB Licensing & Regulations Division

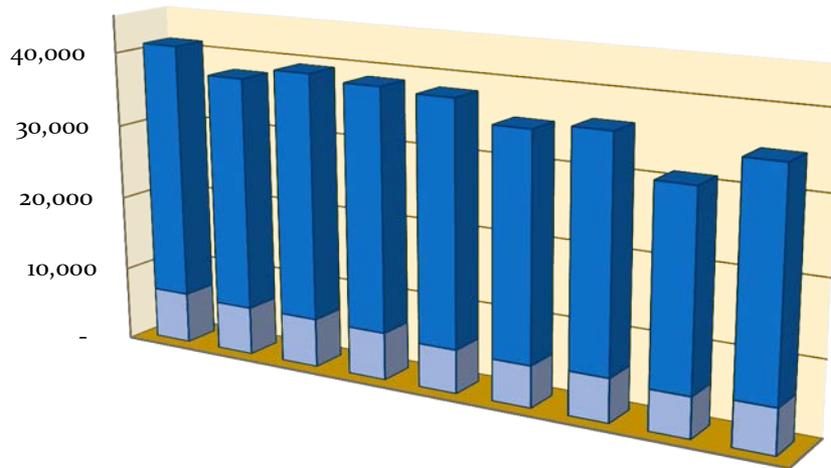
Banquet Permits Growth Trend





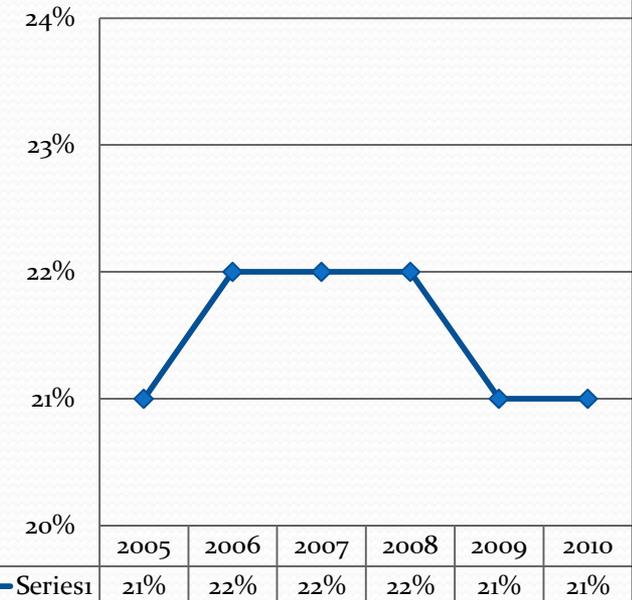
# Washington State Liquor Control Board

## DUI Incidents & Last Drink Data



	2005	2006	2007	2008	2009	2010	2011	2012	2013
■ DUIs With Accidents	34,283	31,233	32,787	32,242	32,327	29,810	30,440	25,610	28,972
■ DUIs-No Accidents	6,861	6,485	6,549	6,380	5,867	5,585	5,841	5,415	5,986

**Last Drink Data  
DUIs W/ Liquor License  
Numbers**



**Of the 2013 total, 17.1% are associated with accidents.**

## **Field Increment Application and Accountability**

The document demonstrates how management identifies the Field Increments (FI's) available for public-safety-focused enforcement activity and ensures that activity provides the maximum efficiency as well as alignment with strategic goals. The application of this process to operational goals establishes an optimal ratio between enforcement officers and proactive public safety oriented tasks. (Officer/task ratio or OTR)

### **Field Increments (FI's)**

The following numbers represent current activity levels of enforcement officers. This discussion does not take into account possible overtime or grant funding, although, the impact of each will be factorable. With the goal of maximizing FI's, it must be acknowledged that there is not a one to one exchange of time. An hour reapportioned, for instance, from Office Administrative Hours to FI's would also proportionately impact drive time and return back into itself as FI's generated work. Simply put, effective field work generates administrative time. After a certain level of efficiency is reached, including the effective use of available technology, the only solution to increasing FI's is the addition of staff.

The effect of increasing staff is more complex than the sheer dividing the number of tasks by a higher number. For example, when more staff are brought to bear, the size of assigned areas diminish, which results in lower driving times per officer. Driving times currently account for 24% of total available time. This is double the time currently spent on FI's. That saved time can then be factored into the FI's equation. Overhead factors such as training and leave remain neutral.

### **Formula Scale**

Based upon 2,080 hours annual total available time:

Field Increments (FI's) = .10 of an hour = 6 Minutes

10 Field Increments (FI's) per hour

2,080 hours of annual time = 20,800 FI's

### **1) Leave Averages:**

The following leave statistics have been derived from accepted General Administration Services, Calculation of Direct Costs. Holidays are set by statute and taken by everyone unless an overtime situation exists. Breaks were not figured into the computation as experience shows that officers working in the field generally do a stop and go while traveling from location to location.

Annual            128 Hours Average

Sick                96 Hours Average x.5 Based on Flex Schedule of Officer = 48

Holidays        88 Hours (Statistical)

Total - Leave Hours Average

**264 Hours/2,640 FI's**

**2) Training:**

Training consists of a combination of mandatory law enforcement subjects. CORE requirements as well as 400 FI's of officer enhancement training. This may include any number of subjects for the overall enhancement of the officer's skills as well as preparation for advancement and focus on particular areas of expertise.

Defensive tactics	12 Hours	
Firearms	16 Hours	
Core training	8 Hours	
Annual Conference	24 Hours	
First Aid	4 Hours	
<u>Officer Development</u>	<u>24 Hours</u>	
Total - Training		<b>88 Hours/880 FI's</b>

**3) Drive Time:**

Driving requires a substantial investment of time. By taking the number of miles driven by an officer over a year's time and dividing that by an average mph, an estimate of the time spent driving can be determined. An average 35.6 mph was derived by trip computers on enforcement vehicles performing a variety of functions in all traffic conditions. Total mileage is then divided by 35.6 mph to give the number of FI's an officer averages in a vehicle. Thus drive time is eliminated from the field tasks, narrowing the information on those tasks to the actual time taken. The estimated drive time varies by terrain and location.

Mileage X 35.6 MPH Average	<b>501 Hours/5,010 FI's</b>
----------------------------	-----------------------------

**4) Office Administrative Hours**

Required – These are tasks such as data entry, returning phone calls, reviewing application documents, researching complaints, license file review, testifying in criminal and administrative proceedings, processing Department of Health tobacco violation referrals, recruitment of investigative aides and misc. assigned projects

Field Work Generated – These are the tasks that result from FI's such as report writing, completing citations, calls to licensees and law enforcement and briefing supervisors.

Meetings/Planning – Regional and team meetings, event planning, special operations preparation, law enforcement meetings, etc.

Education – This represents office time that is directly related to the educational goals of the agency. These include licensee briefings, licensee employee training, directing educational materials to licensees, etc.

Administrative time was verified data from the electronic notebook software.

**805 Hours/8,050 FI's**

**Total # of Committed Hours/FI's**

**1,658 Hours/16,580 FI's**

This number is hugely important to the understanding of this process. The number represented above is the time/FI of an enforcement officer's year of work that are not available to be applied to the enforcement field functions that directly support the strategic operational plan of the division. These numbers indicate the amount of time that is not available to directly engage in the Field Tasks listed below.

**Field Increment Availability**

20,800 FI's minus 16,580 FI's = **4,220 FI's**

**4,220 FI's = 20.3% of Total FI's available for field enforcement application**

This number represents the time available that can be applied to Enforcement Field Tasks which represent tasks that are either required, represent recognized best practices or have been found to be effective processes that lead to the detection or avoidance of public safety violations.

## **Annual Strategic Operation Plan (SOP)**

The strategic operation plan is based upon work indicators related to the Strategic Plan. This plan is based upon the time management of a Field Increment which is equal to 6 minutes. This measurement is utilized based on being a tenth of an hour, which is compatible with the field actions of our officers.

The basic formula for the conversion of field actions is as follows:

Action Frequency x Time Factor x Staffing Factor = Field Increments (FI's)

This operational plan is based upon a staffing of 102 Liquor Enforcement Officers. With a staffing level of 102 line officers and a proportional increase in supervisory and support staff, Field Operation will provide the following critical public safety and educational activities in the field over a one year period. This activity is in addition to all other activities including office administration time, officer training time, leave and driving time.

The actions will include:

### **Compliance Check Activity -**

- 5,742 General compliance checks per year (on and off premises licenses)
- 4,500 Targeted Spirits Retailer compliance checks
- 2,393 Re-checks of projected failures

### **Premises Check Activity – All licenses will receive at least one premises check per year.**

- Large Grocery Outlets, 2 premises checks per year
- Medium/Small Grocers, 4 premises checks per year
- Spirits, Beer and Wine (SBW) restaurants, service bar, 2 premises checks per year
- SBW – lounge, 4 premises checks per year
- SBW – nightclub, 12 premises checks per year
- Beer and Wine restaurants, 2 premises checks per year
- Sports Entertainment Venues, between 6 and 12 premises checks per year
- Misc. Retail Licenses, 1 premises check per year

**Top 30 DUI Locations of Strategic Interest per year –**

- 1 compliance check per quarter
- 1 premises check per week
- 1 onsite training per license
- 1 undercover operation every two months as necessary
- 1 LEO/Licensee/Law Enforcement meeting
- 1 LEO/Law Enforcement update per month

**Undercover Operations/Special Occasions/Banquet Permits**

- 48 Undercover operations per year
- 541 Special Occasion follow-ups per year
- 181 Banquet Permit follow-ups per year

**Special Operations/Festivals/Community Events**

- 100 Events checked statewide yearly

**Market Surveillance, After Hours, DUI Emphasis, Party Patrols/Tobacco Product Audits**

- 1,388 30 minute surveillance period per year
- 96 closing checks of 2 hours each per year
- 18 Party Patrol Shifts
- 997 Other Tobacco Product inspection/audits

**Training – Law enforcement contacts, LE & Licensee Field Training**

- 6,000 informational law enforcement contacts
- 75 law enforcement roll call trainings
- 48 Field licensee trainings

**Field Investigations**

- 32 Complex Investigations
- 24 HB 2113 Investigations
- 1,900 Complaint Investigations
- 199 Other Tobacco Product Audit follow-up/assessment
- 36 Contraband product surveillance operations annually

**Licensing Assistance Tasks**

- 1,600 New Licensee support plans, inspections and postings

The detailed staffing requirements follow by attachment

## Annual Strategic Operation Plan by Work Load Indicators

**General alcohol compliance checks** - (Time Factor - Off Premises 1. On Premises 2.)

(15% of total retail licenses) – (Spirits Retailers) = total General Licensees checked

# of General Licensees x 3 checks per year = 5,742 compliance checks  
Ratio: 70% Off Premises (TF 1); 30% On premises (TF 2).

**FI Total – 7,465**

**Spirits Retailer compliance checks** (Time Factor 1)

[In August 2012, there were 1487 approvals (which includes pending applications) for the Spirits Retail license. In addition there were 162 applications pending that are less than 10,000 square feet, awaiting review after a trade area is defined. Due to the new impacts, and lack of historical data, we are using the estimate of 1500 Spirits Retailers for this FI.]

1,500 – Spirits Retailer store 3 times per year

**FI Total – 4,500**

**Compliance check failure** (Time Factor 3)

2,393 – Failure Rate 20% for statewide average for retail licensees

**FI Total – 7,179**

**Rechecks** (Time Factor 1)

2,393 – Based on failures

**FI Total – 2,393**

**Recheck Failures** (Time Factor 3)

120 – Based on Failures (5% failure after first violation)

**FI Total – 360**

**Total FI for category 21,897 x Staffing Factor 2 =**

**Compliance Check Category Total**  
**((10.37 FTE))**

**43,794 FI's**

**Premises Check Activity****Grocery/ Specialty Stores / Spirits Retailers – 5,553 Approx.**

Large Grocery Chains/Specialty 1,773 x 3 PC per year  
 5,319 x Time Factor 2 =

**FI Total 10,638                      Staffing Factor 1.3 =                      13,829 FIs**

Small/Medium Grocery 3,780 x 4 PC per year  
 15,120 x Time Factor 2 =

**FI Total 30,240                      Staffing Factor 1.3 =                      39,312 FIs**

**Spirits, Beer and Wine Restaurants – 4,464**

Service Bar (736) / Misc Spirits/Beer/Wine Licenses (38) – 774 x 2 PC per year =  
 1,472 x Time Factor 2 =

**FI total 3,096                      Staffing Factor 1.3                      4,025 FIs**

Lounges – 2,998 (Excludes Night Clubs) x 4 PC per year =  
 11,992 x Time Factor 2 =

**FI Total 23,984                      Staffing Factor 1.3                      31,179 FIs**

Night Clubs (not specific to Nightclub license) – 692 x 12 PC per year =  
 8,304 x Time Factor 3 =

**FI Total 24,912                      Staffing factor 2                      49,824 FIs**

**Spirits, Beer and Wine - Private Club - 360**

Private Club – 360 x 2 PC per year =  
 720 x Time Factor 2 =

**FI Total 1,440                      Staffing Factor 1.3                      1,872 FIs**

**Beer and Wine Tavern - 216**

Tavern – 216 x 4 PC per year =  
 864 x Time Factor 2 =

**FI Total 1,728                      Staffing Factor 1.3                      2,246 FIs**

**Beer and Wine Restaurants – 2,676**

Beer and Wine Restaurants – 2,676 x 2 PC per year =  
5,352 x Time Factor 2 =

**FI Total 10,704                      Staffing Factor 1.3                      13,915 FIs**

**Sports/Entertainment Licenses - 39**

Major Venues 2 (Top Tier Professional Sports Teams)  
2 x 12 PC per year = 24 x  
Time Factor 20 =

**FI Total 480                              Staffing Factor 4                              1,920 FIs**

Other S/E Venues 36 x 6 PC per year =  
216 x Time Factor 10 =

**FI Total 2,160                              Staffing Factor 2                              4,320 FIs**

**Manufactures, Importers, Wholesalers (Non-Retail) – 3,567**

Winery / Brewery / Distillery / Distributor – 1,446 x 2 PC per year =  
2,892 x Time Factor 3 =

**FI total 8,676                              Staffing Factor 1.3                              11,279 FIs**

Non-Retail license with retail privileges – 127 x 2 PC per year =  
127 x Time Factor 2 =

**FI total 508                                      Staffing Factor 1.3                                      660 FIs**

Out of State locations / COA – 1,994 - no PC required – primarily phone and  
report review in our Licensing Division (not in PC equation)

Misc. Retail Licenses – 556 x 1 PC per year =  
556 x Time factor 2 =

**FI Total 1,112                                      Staffing Factor 1.3                                      1,446 FIs**

**Premises Check Category Total                                      175,827 FIs**  
((41.67 FTE))

**Locations of Strategic Interest**

30 Top DUI / LSI - Each LSI will require:

- 1 Compliance check per quarter
- 1 Premises check per week (Extended time)
- 1 Onsite training per LSI project
- 1 Undercover operation every 2 months
- 1 LEO/Licensee/Law enforcement meeting per project
- 1 LEO/Field law enforcement meeting per month

Resulting in:

120 on premises compliance checks – x Time Factor 4 = 480 x Staffing Factor 3 =

**FI Total – 1,440**

1,560 Premises Checks – x Time Factor 3 = 4,680 x Staffing Factor 2 =

**FI Total – 9,360**

30 Onsite Training – x Time Factor 20 = 600 x Staffing Factor 1 =

**FI Total - 600**

180 Undercover Operations – x Time Factor 10 x Staffing Factor 4 =

**FI Total – 7,200**

30 LEO/Licensee/Law enforcement meetings – x Time Factor 20 = 600 x staffing factor 1 =

**FI Total - 600**

360 Routine LEO/LE Contacts – x Time Factor 2 = 720 x staffing factor 1 =

**FI Total - 720**

**LSI Category Totals -  
(4.72 FTE)**

**19,920 FIs**

**Undercover Operations/Special Occasions/Banquet Permits**

48 Undercover Operations – An undercover operation equates to 1 full shift of officers posing as patrons observing for violations of overservice disorderly conduct etc. This are conducted in high volume/risk licensees or in response to indications of violations. Require outside cover/contact teams. Resulting in:

48 Operations x Time Factor 80 = 3,840 x Staffing Factor 4 =

**FI Total – 15,360**

541 Special Occasion Licenses Checks – This is a check of 10 percent of the special occasion events taking place within the state. These are liquor events where liquor is being sold by nonprofessionals in the majority of occasions and require some onsite training.

541 Checks x Time Factor 5 = 2,705 x Staffing Factor 1.3 =

**FI Total – 3,517**

181 Banquet Permit Checks – This is a check of ½ of 1 percent of all banquet permits issued.

181 Checks x Time Factor 3 = 945 x Staffing Factor 1.3 =

**FI Total - 706**

**Category Total**  
(4.64 FTE)

**19,583 FIs****Special Operations/Festivals/Community Events**

Based upon 20 events per regions 1, 3, and 4; and 40 events region 2 King County Seattle.

100 Events Yearly x Time Factor 80 x Staffing Factor 4 =

**FI Total 32,000**

**Category Total**  
(7.58 FTE)

**32,000 FI's****Market Surveillance, After Hours, DUI Emphasis, Party Patrols**

Market Surveillance – The surveillance of markets, Spirits Retailers, etc. to observe for underage drinking, pass offs by adults to minors, sales to minors, attempted purchases.

1,388 Surveillances (25% of all off-premises locations) Yearly x Time Factor 5 x Staffing factor 2 =

**FI Total – 13,880**

After Hours Closing Checks – Checks to ensure after hours consumption is not taking place leading to late hour DUI.

96 Closing checks Yearly x Time Factor 20 x Staffing Factor 2 =

**FI total 3,840**

DUI Emphasis Patrols with Law Enforcement

16 DUI assists x Time Factor 60 x Staffing Factor 2 =

**FI Total 1,920**

Party Patrols/Operation Graduation

18 Patrols Yearly (1.5 per team) x Time Factor 80 x Staffing Factor 4 =

**FI Total – 5,760**

**Category Total  
(6.02 FTE)**

**25,400 FIs**

**Training – Law enforcement contacts, LE & Licensee Field Training**

6,000 Law enforcement field contacts per year x Time Factor 2 x Staffing Factor 1.3 =

**FI Total – 15,600**

75 Law Enforcement roll call training per year x Time Factor 10 x Staffing Factor 1 = 750

**FI Total - 750**

Licensee Responsible Liquor Sales Class, field –

48 x Time Factor 15 x Staffing Factor 1 =

Licensee Technical Assistance/Licensee Support

**FI Total – 720**

**Category Total** **17,070 FI**  
**(4.05 FTE)**

**Field Investigations / Tobacco Audit / Surveillance**

32 Complex investigations, Counterfeit ID investigations, etc per year x Time Factor 200 x Staffing Factor 1.5 =

**FI Total – 9,600**

24 HB 2113 Non-Renewal Investigations – Time Factor 80 x Staffing Factor 1 =

**FI Total – 1,920**

1,900 Complaint Investigations – Time Factor 2 x Staffing Factor 1.5 =

**FI Total – 5,700**

997 Other Tobacco Product (OTP) audits (15% of all tobacco retailers) per year – Time Factor 15 x Staffing Factor 1 =

**FI Total – 14,955**

199 Audit follow-up based on an estimated 20% non-compliance/tax deficiency, complex tobacco investigations, assessment referrals to Department of Revenue, etc - per year x Time Factor 200 x Staffing Factor 1 =

**FI Total – 39,800**

**Contraband product importation frequently requires officer observation of the product at the point of origin. This is a common practice for joint federal investigations related to tobacco tax issues, both cigarettes and OTP (Other Tobacco Products). Although the data is not yet available, I-1183 brings the assumption an increase in importing contraband liquor is occurring. As spirits containers do not have tax stamps, observations of the illegal transportation will be vital in establishing evidence for prosecution.**

36 surveillance operations per year (3 per month)– Time Factor 100 x Staffing Factor 3 =

**FI – 10,800**

**Category Total** **82,775 FI**  
**(19.61 FTE)**

**Licensing Assist Tasks**

1,600 - New licensee support plan/Final Inspections/Posting Notices x Time  
Factor 10 x Staffing Factor 1 =

FI Total -16,000

**Category total** **16,000 FIs**  
**(3.79 FTE)**

Field Increment Grand Total = 432,369  
Divided by Available FI's per FTE of 4,220 = **102 Officers**

102 Line officers minus 54 current LEOs 1 - 3 = **48 Additional LEOs**

Additional Supervisor Staff = **1 Captain, 8 Lieutenants**

Additional Support Staff = **5 FTE**

## **Assignment of Field Increments to Work Load Indicators**

The following tasks have been assigned FI's which are indicated to the right of the task. Some activities require additional FI's based on the outcome of the activity. An example is a random compliance check at an off premises location is a one FI activity. However, if a sale is made 3 additional FI's are assigned to complete paper work, issue notices etc. This can be used in the predetermination of a task FI value by factoring in other known activities.

For example, it is determined that there is a necessity to complete 100 off-premises compliance checks. Off-premises compliance checks are assigned a FI of 1 which would equal 100 FI's. However, because we know that our compliance rate is about 80% then you would have to factor in 3 additional FI's for each of 20 of the locations that by history will fail the compliance check. This amounts to an additional 60 FI's of officer's time. This amounts to 160 FI's total or 960 minutes of time. What on the surface appeared to involve 10 hours of officer time now involves 16 hours of an officer's time or 6% of an officer's total FI time for the year.

The FI's listed following each enforcement field task were developed in 2007 by the work of three first line supervisors, a regional captain and the deputy chief of the enforcement division representing 85 +/- years of total experience. The estimates were verified by a significant number of enforcement officers. The numbers were reviewed and verified again in 2012 through and our Electronic Notebook database of officer activity and time accounting. The estimates in 2007 hold true to recorded data during FY 2012.

- Alcohol compliance checks (On Premises 2. Off Premises 1.)
- Compliance check failure (+3)
- Tobacco compliance checks (1)
- Tobacco compliance check failure (+3)
- Complaint investigations (60)
- Location of Strategic Interest (3)
- Premises Checks (3)
- Premises check resulting in a violation (+3)
- HB 2113 Non-Renewal Investigations (24)
- Party Patrols/Operation Graduation/Prom (60)
- Sports Entertainment Monitoring (15)
- Surveillance (5)
- Performing undercover operations (as primary or secondary officers) (7)
- Field Administration – Issuing Enforcement Actions, Subpoenas (3)
- Law enforcement contacts, communications, and training classes (2)
- After hours check (1)
- Technical assistance visits (TAV) / new licensee support plan (4)
- Special operations/Festivals and Events (40)

- DUI reduction emphasis patrol (40)
- Final inspections (3)
- Public posting notices (2)
- Other Tobacco Product on-site audit (15)
- Responsible Liquor Sales Class (15)
- Liquor license suspensions (25)
- Complex investigations, Counterfeit ID investigations, etc (40 – 200)
- Tobacco Tax and contraband liquor importation surveillance (100)
- Testifying in criminal and administrative courts, depositions, etc. (10)

## Office Space Projections

Office space for additional personnel is an important consideration for this proposal. With the target of this proposal being to maximize available field increment time, logistically it is imperative to place staffing in the most efficient locations to the tasks. In doing so, a reduction of driving time can be realized. Driving time currently consumes over twice as much time as an officer spends doing actual hands on enforcement tasks in the field. Every hour taken from drive time can be directly applied to strategic operational time spent by the officers. This will be realized both by the smaller areas of assignment as well as strategic location of offices.

A side benefit will be that more rural office locations will allow for officers to live further from the high cost areas of the state with the benefit of aiding recruitment and retention thus saving on training costs. Savings from this benefit would be difficult to quantify, nonetheless it is a known benefit.

With changes to offset potential time and travel savings, a two part plan was utilized. The first was to make the officer more independent of the information systems (Electronic Notebook (EN)) currently existing to allow for more field time. The second purpose was to provide officers the ability to plan activity using near real time statistics on licensee location, violation history, current complaints and many other factors. These systems are allowing more efficient use of existing space within our current offices.

Along with more efficient use of existing space the Enforcement Division is proposing the addition of seven basic combined location offices. The offices will be set up for two officers to work out of as well as being a drop-in location for officers working projects in the area. The office will be co-located with other established state agency offices (such as the Gambling Commission) to reduce shared costs and will not be staffed by support positions.

### **Projected Additional Office Space – (Locations subject to change based on logistics)**

Centralia  
 Port Angeles  
 Bellingham  
 Yakima  
 Moses Lake  
 Pullman

Cost projection –

240 Sq. Footage x \$25.00 per Ft. x 6 Offices =	\$36,000 Annual cost
Equipment setup per office est. one time cost =	\$5,000 x 6 offices = \$30,000

Total Cost for 2 year lease plus one time setup costs = \$102,000 first biennium

## Staffing Deployment

Deployment of new staff will take place over a period of six years. The first year ten new staff will be hired and deployed throughout the state to address issues of public safety and customer service as well as targeting efficiency of operation to maximize field increment time.

The first biennium disbursement of ten FTEs will be as follows:

16 Liquor Enforcement Officers  
2 Sergeants  
2 Lieutenants  
3 Support Staff  
1 Captain

The second biennium disbursement of ten FTEs will be as follows:

16 Liquor Enforcement Officers  
3 Sergeants  
3 Lieutenants  
2 Support Staff

In the first biennium, we plan to split the King County region into two regions. One will have the responsibility for Seattle, and the other South King County. The planned deployment will result immediately in additional officers for high density areas.

The remainder of the deployment will be based on service needs statewide. King, Pierce, and Snohomish counties require a high concentration of resources due to population and licensee volume. Satellite offices will also be a priority after the first year of deployment to ensure responsive service is provided in outlying areas.

Where officers are located is very important to their effectiveness and time spent in the field. Deployment must meet the needs of the diverse areas of the state. For the purpose of this deployment plan the state has been broken down into the following three general criteria:

- Low Population & License Density/Major Highways
- Low Population & License Density/Remote
- High Population & License Density/High Traffic

**Staffing Deployment**

	<b>FY 18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>
LEO 1	3	3	3	3
LEO 2	5	5	5	5
LEO 3 / SGT	1	1	2	1
LEO 4 / LT	1	1	2	1
Captain	1	0	0	0
AA3	3	0	1	1
<b>TOTAL</b>	<b>14</b>	<b>10</b>	<b>13</b>	<b>11</b>

Low Population & License Density/Major Highways

These locations primarily make up the eastern, southwest and upper northwest portions of the state. The Spokane region currently services the largest geographical area in the state. Offices are located in Spokane, Tri-Cities and Wenatchee. Each officer is currently assigned an average of 2,400 square miles of area.

The focus for the Spokane region will include establishing multiple satellite offices to meet service needs, which include Yakima, Moses Lake and Pullman. The obvious advantages to having additional field offices are improved customer service, reduction of driving time and increased field increment time.

The Tacoma region will also focus on satellite offices in the areas of Centralia/Chehalis and Port Angeles. These offices will allow for east/west deployment of staff along major transportation routes.

The Mount Vernon region will utilize one satellite office in Bellingham. This will allow for staffing increases in the existing office of Mount Vernon and the planned new office in North King County. A Bellingham office will meet Northern deployment needs into Whatcom County, which includes the Western Washington University community.

Low Population & License Density/Remote

Although mentioned in the previous section, Pullman and Port Angeles fall into a select category that is worth special note. Both of these areas are located in very remote areas of the state.

In the case of Pullman, there is a major university drawing thousands of college age students to the area. An office in this location would also help to support the southeast corner of the state where the closest existing office is in the Tri-Cities.

Port Angeles sits at the top of the Olympic Peninsula. This is a very large area with a very high seasonal traffic. This area is serviced by one major highway and under the existing deployment is the responsibility of the Tacoma office. It currently takes approximately 4 ½ hours to drive to the most remote areas under the best of driving

conditions. The Port Angeles office would take over responsibility for the Olympic Peninsula.

Each of these areas has their own unique public safety issues created by their location and the activities taking place in the area, as well as seasonal driving hazards.

#### High Population & License Density/High Traffic

The Seattle, King County area will be a primary focus for deployment, especially during the first and second years. This planned change will direct a large force of officers at the area within the state with the highest number of large venues, community events, colleges, nightlife venues and concentration of licensees. Although under separate command structures, the offices will provide support to each other on major events. This will help to reduce the considerable cost of deployment of officers from more distant areas to assist in major events taking place within either region.

#### Span of Control

Adding a specific Seattle region, in addition to the existing South King County region, will double the existing staff. The appointment of a captain will be necessary to ensure a reasonable span of control and accountability over the number of officers within such a high activity area. This is the only position of this level created by this decision package. Of the 48 positions requested, 37 are enforcement officers (LEO2 and LEO3s), 5 are first line supervisors (LEO4), 1 is a manager (WMS2 captain), and 5 are administrative staff.



State of Washington  
Decision Package

**Agency:** **195 Liquor Control Board**

**Decision Package Code/Title:** N9 – ADDITIONAL ENFORCEMENT OFFICERS

**Budget Period:** 2015 - 2017

**Budget Level:** PL – Performance Level

**Recommendation Summary Text:**

The Washington State Liquor Control Board (WSLCB) Enforcement and Education Division requests funding for 10 new officers to address operational needs, which include impacts from I-1183 (liquor privatization) and I-502 (recreational marijuana). Officers have seen a 41.8% increase in licenses in the past 10 years, leading to an extremely high workload of 267 licensees per retail officer. Emerging issues for officers include increased availability of spirits, smuggling issues, theft, and education demands, in addition to tobacco tax and recreational marijuana enforcement responsibilities.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
501-1 Liquor Revolving Account-State	\$1,272,346	\$935,272	\$2,207,618
<b>Staffing</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
FTEs	10.0	10.0	10.0

**Package Description:**

**Staffing/Emergent Workload Indicators**

The current staffing level for Liquor Enforcement Officers (LEO 1, 2, and 3) is 57 officers committed to full time retail enforcement activities. This includes regulating and educating liquor licensees in all three tiers of the liquor industry, all tobacco licensees, enforcement of all tobacco tax laws, and enforcement related to new marijuana retail licensees. Each officer is assigned approximately 267 retail liquor licensees. Officers provide public safety oversight, training, information, as well as tracking compliance with liquor, tobacco, and marijuana laws for all assigned licensees. (An in-depth strategic deployment plan that follows will show that an officer to

licensee ratio should be no less than 1 officer to 154 licensees for effective oversight and service.) In addition to the aforementioned officers, we have 5 additional officers who cover enforcement and education responsibilities associated with the non-retail tiers only, which include manufacturers, importers, and wholesalers of liquor. These officers average approximately 400 in-state licensees per officer, plus additional oversight on out-of-state permits and licenses. Lastly, we have a dedicated non-retail unit of 12 line officers (LEO 1, 2, and 3) for producers and processors of marijuana. These marijuana positions are not addressed in detail in this decision package, as the increase in officers currently requested is based on needs and responsibilities associated with retail enforcement operations.

The reduction of positions is a result of the elimination of the dedicated Tobacco Tax unit for state operations during 2008 through 2011. The Tobacco Tax unit maintained partnership with Department of Revenue, Alcohol Tobacco and Firearms (ATF), enforcing Other Tobacco Products (OTP) and cigarette tax regulations. Duties also, included contraband product identification, counterfeit tax stamp identification, and illegal possession and transportation of untaxed tobacco. These responsibilities have been transferred to existing officers, who have increased their general workload by 5% -10%.

In FY2014, a total of five retail enforcement officer positions were funded and hired. The additional LEOs were based on a continuing need as addressed in the decision package. At the same time officer levels have decreased prior to last year, the state has experienced increases in:

- state population
- the numbers and types of licensees
- accessibility of spirituous liquor with operating hours increasing from 12 to 20 hrs/day
- licensees with a focus on entertainment
- violent acts against the general public associated with licensed establishments
- workload through the implementation of the recreational marijuana market

All these trends have drawn a demand for public safety action by the agency to respond proactively to emergent, volatile environments. (**Attachment 1: LEO Position Growth Trend**)

Officers enforce state liquor, tobacco, and marijuana laws as a limited authority law enforcement officer. They are involved in educating licensees, investigating allegations of violations, engaging in arresting violators, and issuing citations and administrative violation notices. Officers investigate liquor, tobacco, and marijuana complaints from citizens and law enforcement agencies, coordinate investigations with other criminal justice agencies, and testify in court and administrative hearings. At the current authorized staffing level, this averages out to approximately 1,250 square miles per officer. Assignments are made on a licensee/population proportional basis, and many officers are assigned to the Puget Sound corridor, resulting in officers in Eastern Washington being assigned vast areas, 2,667 square miles on average. Even though Western Washington officers have fewer square miles on average, they work in more concentrated areas and deal frequently with corridor traffic and congestion.

*The following are work load indicator increases that have taken place, generally, over the last 10 years. Under each circumstance, there are listed attachments, representing by graph of the information presented. Following each attachment is a brief description of the impacts of each of those changes.*

### State Population

While the number of enforcement officers has decreased by 21.7%, the state has shown an overall population growth of 16.8% with 2013 showing as 1.25%, the highest rate of annual increase since 2008. In this same period, the population of those individuals who are 15 years old and older is increased by 20%. Although we have learned alcohol begins to impact youth at a younger age, the fifteen year old threshold is important, because it is the age when officers begin to have contact with underage people in the course of their duties. Additionally, the age group 20 - 24, the group most contacted by our officers, has increased 13.1%. (**Attachment 2: Washington Population Growth, Attachment 3: Washington Population Growth Ages 20 – 24**)

### Liquor License Increases/New Licenses

Initiative 1183 (spirits privatization) created an increase of off-premises Spirits Retailers, for a growth of 324% (from 328 to 1,391 licensees). Officers are responsible for providing support and oversight to spirits retailers through education and enforcement actions. This includes providing technical assistance, investigating complaints, conducting compliance checks, conducting premises visits, and providing ID/over service training. New licensees, law enforcement partners, and the general public, have shown a need for educational support based on the increased number of emails, calls, and/or written comments received. At the present staffing level, we are not able to provide adequate support and oversight. All spirits retailer licensees were checked within the first twelve months of licensure post I-1183 implementation to ensure compliance with youth access, but this required taking away resources from other areas. Past experience showed that state liquor stores averaged a 95% compliance rate. This was in part, due to enforcement officers conducting two compliance checks per location in a twelve month period. Compliance rates at previous state and contract stores over their last 3 years of operation averaged 93%, where all other licensees averaged 76%. Since the passage of I-1183, spirits retailers have an above 90% compliance rate, while other beer/wine grocery store retailers range between 75% and 80% compliance. Based on this historical data, many convenience stores across the state may sell alcohol to minors 1 out of 4 times.

### Smuggling

Contraband product importation often requires officer observation of the product at the point of origin. This is a common practice for joint federal investigations related to tobacco tax issues, both cigarettes and OTP (Other Tobacco Products). Spirits privatization has created the unintended incentive of importing contraband liquor. As spirits containers do not have tax stamps, observations of the illegal transportation will be vital in establishing evidence for prosecution. Officers are receiving complaints related to the illegal importation of alcohol, especially in our

border regions. Similar to illegal Tobacco Tax activities, these enforcement operations are fairly complex and can be large and logistically complicated, sometimes with considerable manpower investments and great distances covered by the surveillance team.

### Licensee Growth

Significantly, over the last 12 years, the total number of all liquor licenses has grown 67%, with a 41.8% increase in retail licenses. Even though the larger number includes wineries, breweries, and distilleries, these licenses represent additional workload to enforcement officers as any non-retail violation in dealing with a retail licensee will, generally, include a violation of retail statutes as well. After privatization of spirits sales occurred, some businesses have broadened their markets to add liquor sales in additional venues, such as movie theaters. In addition, officers also conducted more investigations of illicit market activity of spirits sales. Further, there have been additional market pressures on businesses to add spirits sampling and tasting to their businesses.

**(Attachment 4: All Liquor Licensees Growth Trend, Attachment 5: Selected Retail Licensees Categories)**

Over the last two years the retail licensees increased 15.2% or by 2,145 licensees. Most of these licenses fall into the higher public safety risk categories, such as “Spirits, Beer, and Wine” (SBW) restaurants, large sports entertainment facilities, and grocery stores. Each presents a unique and important set of oversight challenges. SBW restaurants, alone, represent 3,888 of these licenses. Currently, 4,637 SBW restaurants exist and approximately 392 of these venues are establishments, where the primary focus of the business is on entertainment with alcohol or alcohol service rather than food service. Most of these licensees are hybrids of restaurants and nightclubs without local authority restrictions, as only 83 locations have secured a nightclub liquor license after its creation in 2009. Often these types of venues are associated with high frequency and/or high profile problems involving violent activity and requiring substantial expenditure of public safety resources. **(Attachment 6: Spirits, Beer, Wine Restaurants)**

“Spirits/Beer/Wine Service Bars” and “Beer and Wine Restaurants” have increased by 25% and 30% respectively. Although these establishments, generally, do not represent the level of public safety concerns as the aforementioned entertainment/alcohol focused establishments; they do require consistent monitoring in order to ensure compliance as well as to provide training and general licensee support. **(Attachment 7: Service Bars, Attachment 8: Beer/Wine Restaurants)**

### Sports/Entertainment

The Sports/Entertainment license has been one of the biggest challenges to the agency enforcement effort. This license was created in 2003 and has experienced a 455% growth from 9 to 50 licenses, throughout the state. Although small in numbers, these licensees are, generally, the largest entertainment venues in the state. They include such major venues as White River Amphitheater, The Gorge Amphitheater, Safeco Field, Century Link Field, Emerald Downs and other large entertainment facilities throughout the state. The challenge of staffing and oversight varies greatly from event to event, often involving tens of thousands of people. The potential for

over service and sales to underage persons with the inherent risk is very high. Many of the problems associated with these establishments spill into the surrounding communities, before and after large events. Even when a venue takes appropriate action, often times that problem is removed from the venue and is simply displaced to another licensed location in the vicinity. **(Attachment 9: Sports/Entertainment Licenses)**

A major event at one of these locations will tax the resources of any municipality past the breaking point. Invariably, the local authority will rely heavily on the resources of the Liquor Control Board for pre-event planning, technical expertise, education of licensees in and around the venue, and participation in enforcing liquor laws prior, during, and post-event.

### Special Occasion Licenses/Banquet Permits

Special occasion licenses are primarily issued to not-for-profit organizations to authorize the sale of alcohol for fundraising. In FY2010, 3,932 days of special occasion events were licensed. In FY 2012, they have increased to 5,413 days or by 37.6%. **(Attachment 10: Special Occasion Licenses)**

These licenses are especially significant because they are duties released in addition to the retail licenses assigned to an officer. These licenses lend themselves to serious abuse by ineligible promoters who take money, not only from the not-for-profit organization, but also from the legitimate liquor licensed retailer. Additionally, these licenses do not fall under the scope of Mandatory Alcohol Service Training (MAST) laws. Therefore in most cases, alcohol is being served by untrained people in large volumes with a high potential for service to minors and persons who are intoxicated. At current staffing levels, there is not time for officers to support these licenses or address issues as they arise.

### Banquet Permits

Banquet permits allow the service and consumption of liquor at a private gathering held in a public place. Permits are showing a growth rate of 26.7% between FY2005 to FY2014. Banquet permits were reviewed routinely over 10 years ago, and suspect permits were followed up by officer inspections. Many times, permits are used to mask keg parties where underage persons are present, as well as by individuals operating illegal retail sales operations. At current staffing levels, the oversight of these permits has been dropped as a routine duty of enforcement officers. I-1183 facilitated new on-line banquet permit sales. The on-line permit sales have provided officers an increased ability to monitor for questionable permit purchases, but due to workload constraints, officers now only respond to complaints by law enforcement or the public. **(Attachment 11: Banquet Permits)**

### DUI Referrals

DUI referrals are generated by law enforcement officers during the booking process for DUI arrests. As part of the booking procedure, arrestees are questioned regarding the location where the arrestee was drinking prior to the contact. Information collected is entered into the breath test instrument (the WSP DataMaster) and each month this information is provided by the State Patrol to the Liquor Control Board. This information is used to identify locations that may be having problems with service to intoxicated patrons. Besides the enforcement factor, the listing provides an excellent opportunity for education and training for the licensee and staff. The number of actual licensee contacts made in regard to this information has declined dramatically due to higher priority tasks.

WSLCB officers are partners in a data-driven Target Zero strategic highway safety plan aimed at zero deaths on our roadways by 2030. In this effort, officers are recognized as important partners in DUI Emphasis Patrols and Keg/Party Patrols.

When reviewing DUI incidents, officers analyze specific DUI data factors, such time of the day, day of the week, percentage of DUIs associated with accidents, along with last drink location to address relevant over service or youth access problems linked with cities/counties over-represented in DUI incidents.

National research has shown 50% of people arrested for DUI were drinking at a licensed establishment, and further, 70-89% of bars are likely to serve alcohol to intoxicated persons in violation of the law. Officers identify establishments with the greatest number of reported DUIs and focus resources on these establishments. (**Attachment 12: DUI Referrals**)

### Alcohol Impact Areas

The development of Alcohol Impact Areas (AIAs) is a concept designed to control chronic inebriation issues. Each AIA is a labor intensive project that mandates the assignment of an officer to oversee the community effort and to provide extra education and enforcement efforts. To date, there are seven AIAs statewide. No increased staffing was provided for when these efforts were initiated.

AIAs have been shown to be an effective tool for combating chronic public intoxication. A study conducted by Washington State University following the implementation of the Tacoma AIA showed convincing reductions in detoxification admissions, public drinking, level of intoxication, panhandling, trash and littering and other significant problems related to chronic public intoxication

### Community Events

Large community events take place across the State throughout the year. Events such as Seafair and the Capitol Hill Block Party in Seattle, Waterfollies in the Tri-Cities, and Mardi Gras are expanding to many cities and draw thousands of people to events with the inherent issues of controlling liquor service in those circumstances. These events also impact the retail licenses in the area. These types of events differ from the normal special occasion license by the fact they are

usually much larger, involve entire communities and are held in conjunction with expanded retail licensee efforts to provide entertainment and extended sales areas.

In small communities these events may represent a “make or break” situation for local liquor retailers and special event promoters. These jurisdictions often call upon liquor enforcement officers to supplement their resources during these events. Smaller, rural jurisdictions with limited law enforcement resources needing supplemental liquor enforcement during community events would especially benefit from additional enforcement staffing.

### Proactive, Face to Face Interaction with Licensees

The Enforcement division has relied on the concept of voluntary compliance through the education of the licensees and their employees. This is based upon the tried and true concept that most licensees, given the appropriate tools and education, will succeed in complying with governing rules and laws. However, the officer’s face-to-face interaction with licensees has been limited, rather than being proactive in providing education through training. This is a concern that is being consistently voiced by stakeholders including representative associations, as well as, the licensees themselves. The Washington Restaurant Association has voiced concerns from their members about the declining level of one-on-one opportunities to work with enforcement officers to ensure their success. Just as in the lessons learned by police departments, there must be a building of trust and understanding with the community before law enforcement can be successful. An enforcement officer must build trust within the licensed community, with law enforcement and with members of the surrounding neighborhood to be effective. This is not happening at the current staffing levels.

### Compliance Checks

The Office of Juvenile Justice Delinquency Prevention (OJJDP), an office of the US Dept. of Justice, outlines best practices for improving compliance with liquor laws in regard to sales to underage persons. Information from OJJDP indicates the best practice for compliance checks is 3 checks per premises per year. The effectiveness of compliance checks paired with educational efforts was dramatically demonstrated with the Liquor Control Board’s state store system. During the last 6 years of operation, the compliance rate was elevated from 80% statewide to approximately 94%. Many districts achieved a compliance rate of 100%.

In 2004, Officers conducted 6,492 alcohol compliance checks at retail locations. With reduced resources, Officers only conducted 2,344 compliance checks in 2010 and about 2,000 in FY2012. This averages a compliance check of one check per retail licensee every six years. When rechecks for failures are added into the equation, approximately 13% of all retail licenses in the state receive compliance checks in a year. Even when low risk licensees are removed from the equation, compliance checks fall far below the recognized levels needed to ensure compliance. Conservatively, enforcement is falling short of the national recommendations by approximately 5 compliance checks per licensee over each two year period.

## Law Enforcement Support and Expectations

Local jurisdictions routinely look to the Liquor Control Board for assistance with problematic licensees. More often than not, these problems spill into the neighborhoods and adjoining communities creating public safety issues for several jurisdictions. Attempts to strengthen efforts in this area are evidenced by legislation emphasizing local input on new liquor licenses, such as the nightclub license and license renewals. In large, these decisions will rest upon information that is generated by partnerships between local municipalities and enforcement officers of the Liquor Control Board.

These communities and their law enforcement agencies have also experienced a marked increase in calls for service as well as suffering from reduced staffing levels due to budget constraints. Communities throughout the state have come to rely on the expertise of the officers. Officers are relied upon not to supplant, but enhance the law enforcement efforts around what is an expanding nightlife and entertainment industry as well as a significant change to the availability of retail sales of spirits as a result of privatization and all of the resulting issues that come from increased access. Compared to a decade or more ago when liquor officers worked somewhat independently of the their law enforcement peers, LEOs now work in combined community efforts which may include several municipal or county offices in addition to the local law enforcement agency. Community based law enforcement has created an expectation of liquor enforcement involvement whether it is being a member of the Code Compliance Team (CCT) with the City of Seattle, working Traffic Safety Commission Corridor Safety Projects throughout the state or participating in any number of more local emphasis efforts statewide. Many of these activities are ongoing efforts that require bi-weekly participation and extending to seasonal efforts to address specific community celebrations.

## Officer Safety and Risk Factors

Presently, liquor enforcement officers report working in teams of two or more less than 16% of the time. Enforcement officers routinely work with the most dangerous segment of society: young people between the ages of 15 and 24 (as relates to violent crimes and weapons possession.) This age group represents over 42% of the arrests reported. A person is 10 times more likely to have a crime committed against them by someone in their late teens than by a person in their early thirties. The former age group makes up the majority of law enforcement contacts by liquor enforcement officers. (FBI Crime Statistics 2003)

A sampling of officers experiences over a three year period indicate that officers in the course of their assigned duties are routinely exposed to dangerous situations some of which include:

- Assaults on citizens and officers
- Drug usage
- Felony Warrants
- Resisting arrest
- DUI
- Gang activity

- Theft
- Shots Fired
- Domestic violence
- Armed robbery
- Verbal threats of bodily harm
- Increases in illegal sales of designer drugs such as bath salts and Spice

Through the promotion of nightlife activities, cities have experienced an increase of violence at liquor licensed businesses. Shootings, assaults, robbery and other violent crimes are commonplace every weekend in locations that attract large crowds. These venues require a high level of monitoring. Due to the risks of working in this environment, we encourage officers to work in pairs for officer safety and the increased ability to control situations that arise. With the focus on the most problematic areas, it is imperative to provide a staffing level that will allow for this practice to continue at a minimum. It would be desirable to increase this partnering rate from less than 16% to 50%.

### Three Tier Task Force Recommendations

A blue ribbon task force was convened by the Board in May of 2006 known as the “Three Tier System Review Task Force”. The task force included State Senators, State Representatives, the City Attorney for the City of Seattle and stakeholders representing various liquor interests throughout the state. One task of this group was to review the current liquor regulatory system to identify key issues and concerns and make recommendations for changes or modifications. Supported by the only unanimous vote of the task force, the enhancement of Liquor Control Board enforcement resources was listed as a recommendation of the task force. Their review indicated enforcement officer staffing had failed to maintain parity with the current number of licenses within the state. To date, the Division has only been able to make minor progress on the recommended modifications made by this independent body.

### Strategic Operational Deployment of Staffing Resources

A comprehensive strategic operational plan, utilizing the aforementioned increased workload indicators, existing workload expectations based upon best practices and documented success, has been created. This plan utilizes a simple staffing formula based upon available hours applied to activities to which time values have been attached. The available hours are broken down to 10<sup>th</sup> of an hour or six minutes and for the purpose of this report are referred to as Field Increments. For the purposes of this action plan each officer has an available 4220 Field Increments or 422 hours of time available each year, excluding all other activity, to be focused on strategic field operational activity. **(Attachment 13: Field Increment Application and Accountability)**

By establishing the strategic operational expectations of the division for a period of one year, applying a time factor to each of those expectations then dividing the total of those factors by the time availability of the officers, an objective number of officers needed to complete the tasks can be formulated. There are currently 54 existing officers. The formula in this case indicates the need for a total of 102 officers. When the 57 existing officers are subtracted, there is an indicated need for 48 new Officers.

**(Attachment 14: Annual Strategic Operation Plan), (Attachment 15: Annual Strategic Operation Plan by Work Load Indicators), (Attachment 16: Assignment of Field Increments to Work Load Indicators)**

In addition to 48 new Liquor Enforcement Officers (LEO), such an increase would mandate an additional 5 Lieutenants for first line supervision and 1 Captain for regional realignment. Of the 37 new LEOs, 5 would be allocated to the LEO 3 position, while the others would reside at the LEO 2 and LEO1 level. For operational purposes, LEO 1, 2, and 3s are field officers primarily conducting field enforcement. Additionally 5 administrative staff would be required to provide support for the additional staffing. This would bring the total request for FTEs and funding to 48 over a six year period.

Deployment by Location

Strategic staffing deployment factors include:

- Density of liquor licenses
- Population
- Travel/traffic factors
- Presence of large venues,
- Numbers of community events
- Multiply nightlife focused venues in concentrated areas
- College campuses
- Complaint investigation load

The strategic placement of officers in relation to their workload is critical to increasing field increment times. In densely populated areas officers can be clustered in larger offices. In less dense areas, such as eastern and southwest Washington, the key to effective deployment lies in having smaller offices located throughout the region adjacent to major intersection thoroughfares for easy access to more remote areas. More specific information on this topic, as well as deployment maps are provided in separate documentation. **(Attachment 17, Office Space Projections), (Attachment 18, Staffing Deployment)**

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

As reported in the Results through Performance Management (RPM) system, the additional officers requested in this package are necessary to keep the percentage of licensed businesses in compliance with underage drinking laws.

**Performance Measure Detail**

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

Yes, this request directly supports the major public safety objectives outlined in the 2013-2015 Agency Strategic Plan.

As in the past, increasing compliance with both statutes and rules while increasing educational outreach efforts are still key elements. Of the 5 primary goals identified in the 2013-15 plan, this request applies to all 5 of them:

- Goal #1 Provide the highest level of public safety by continually assessing, analyzing, improving and enforcing laws, regulations and policies as well as ensuring they are to understand, effective and reflect today's dynamic environment."
- Goal # 2 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.
- Goal #3 Educate and engage licensees, the public and other stakeholders in addressing issues related to alcohol, cannabis and tobacco.
- Goal #4 "Recruit, develop, retain and value a highly competent and diverse workforce capable of responding quickly and effectively to challenges in the regulatory and business environment.
- Goal #5 Create a culture that fosters excellent customer service, open communication, transparency, accountability, data driven decisions, and business initiated process improvement including the use of integrated technology

*Does this DP provide essential support to one or more of the Governor's Results Washington priorities?*

Yes, Goal #4, "Healthy and Safe Communities."

*What are the other important connections or impacts related to this proposal?*

- This proposal mitigates the liability associated with law enforcement within establishments that serve alcohol.

It supports the Agency Mission:

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

It addresses concerns addressed in employee surveys and voiced by labor representatives:

- Chronic low staffing levels

- Workload
- Being able to be proactive rather than reactive

During the planning stages associated with the 2013-2015 plan, recruiting, staffing, and having officers accessible to license holders were identified as critical factors needing to be addressed. LEOs are required to be responsive rather than proactive which results in missed educational opportunities that turn into violations.

*What alternatives were explored by the agency, and why was this alternative chosen?*

The division's structure has dramatically changed over the last five years. Portable laptops, mounted in vehicles and portable printers are standard issued equipment. In addition, the division created and deployed an electronic notebook for officer time accounting, data collection, and case management. Part of the reason for doing this was to increase Field Increments (FI's) with existing officers. Although some gains have been achieved, technology alone has not recovered sufficient FI's to implement the proposed activities.

In addition, on-line training opportunities have been developed for new licensees to reduce the time officers spent providing face to face training. While programs have been successful, they have failed to meet the identified need of face to face instruction and interaction with licensees. This process has not had the expected positive impact. Licensees are not able to get questions answered in a timely manner and as a result, commit violations.

The division has sharpened its focus to the exclusion of any effort that does not clearly relate to stated goals. Technology in the form of electronic notebooks is being employed in the interest of licensee education as well as overall officer efficiency. These changes have allowed the division to implement some contemporary deployment strategies; however the staffing deficit precludes advancement in many areas.

*What are the consequences of adopting or not adopting this package?*

The Enforcement Division will continue to operate at a serious staffing deficit with the inherent inability to meet legislative responsibilities and the expectations of the communities, stakeholders and law enforcement partners.

*What is the relationship, if any, to the state's capital budget?*

None.

*What changes would be required to existing statutes, rules, or contracts, in order to implement the change?*

None.

*Expenditure and revenue calculations and assumptions*

Fully loaded costs are used for staff, which includes vehicles and equipment.

**(Attachment 19: Fiscal Detail)**

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

\$337,074 in FY16 is start-up costs associated with hiring, training, and purchasing equipment. All costs in FY17 are considered ongoing and FY18 and onward would be similar to FY17.

<b><u>Object Detail</u></b>	<b><u>FY2016</u></b>	<b><u>FY2017</u></b>	<b><u>Total</u></b>
A Salaries	\$575,832	\$575,832	\$1,151,664
B Benefits	230,330	230,330	460,660
E Goods & Services	210,034	48,510	258,544
G Travel	120,600	80,600	201,200
J Capital Outlays	135,550		135,550
<b>Total objects</b>	<b>\$1,272,346</b>	<b>\$935,272</b>	<b>\$2,207,618</b>