

Highlights of Complaint to the Executive Ethics Board against Liquor Control Board and Rick Garza, its Deputy Administrative Director

Stefan Sharkansky, September 1, 2010

The complaint alleges that Garza and other senior LCB officials violated the Ethics in Public Service Act, specifically RCW 42.52.180, which prohibits authorization or use of public facilities in campaigns for or against a candidate or ballot measure. The specific allegation is that the LCB authorized Garza to travel around the state making speeches urging citizens to vote against the liquor privatization initiatives 1100 and 1105. The EEB has advised that public officials may make “general factual” statements about ballot measures, but statements of a tone and tenor opposing an initiative are prohibited.

These are a few of the many examples of false, misleading and prejudicial statements that Rick Garza made in one of his recent presentations, an event sponsored by the Washington Wine Institute, which opposes Initiative 1100:

1. Garza claimed that: “Initiative 1100 deregulates alcohol and treats it like any other product”.

This is plainly false. Initiative 1100 repeals certain regulations regarding economic arrangements among licensed entities. It retains nearly all other existing regulations which treat alcohol quite differently from other products, including vendor licensing requirements, prohibition on sales to minors, prohibition on sales below acquisition cost, authority of the board to regulate advertising, significantly higher excise taxes and stricter recordkeeping requirements than apply to most other products.

2. Garza falsely claimed that the loss of the “mark-up” (surplus revenues from liquor sales in state stores) would defund the LCB’s licensing and enforcement functions.

The LCB’s entire current funding for licensing, enforcement and administration derives primarily from a specific portion of the Wine Tax, with a small contribution from liquor licensing fees. NONE of the funding for licensing and enforcement derives on state store sales. The current funding sources are not affected by Initiative 1100. This is crystal clear from OFM documents and from the LCB’s own financial statements.

3. Garza grossly exaggerated the revenues produced by the state liquor retail system in recent years, inflating what he claims would be a “loss” of state revenues upon termination of the state retail stores.

He claimed that the potential annual revenue from the markup would be \$122 million (\$75 million for the state general fund and \$47 million for cities and counties), and that an addition \$23 million would be needed to fund licensing and enforcement. A more realistic estimate of mark-up revenues, derived from the LCB’s own financial statements, would be \$29 million for the state general fund and another \$29 million divided up among all cities and counties. As noted in point 2 above, no general fund allocation would be needed for licensing and enforcement.

4. Garza exaggerated the difference in effectiveness at preventing alcohol sales to minors between state liquor stores and private sector stores.

He claimed that private sector stores have a no-sales-to-minors compliance rate of “76-84 percent”. This estimate is biased on the low side. It includes not only stores, but bars and restaurants checked during peak hours; it includes targeted checks on stores and bars that have been already been reported or suspected of selling to minors; it doesn’t take into account the differences between stores in terms of sales volume. He specifically implied that Safeway and Wal-Mart have much worse compliance records than the state stores. In fact, the LCB’s own records show that these stores have nearly equal (even slightly higher) compliance rates than the state and contract stores.

5. Garza misrepresents the purported benefits of the state liquor monopoly on reducing alcohol consumption.

He repeated a claim that the LCB often makes: “Consumption is between 5 - 20 percent less in control states with limited access (like Washington) compared to open states (like California).” Data on per-capita alcohol consumption from the National Institutes of Health show that Washington’s consumption of distilled spirits has been essentially equal to the national average for the last four decades. Washington’s total alcohol consumption has been higher than the national average for most of the same period. In the most recent year for which data is available, Washington’s total alcohol consumption and consumption of spirits alone are higher than both California’s and the national average.