



Washington State Liquor Control Board

Washington State Liquor Control Board Meeting

Wednesday, January 29, 2014, 10:00 a.m.
LCB Headquarters Building
3000 Pacific Avenue SE, Olympia WA 98501

Meeting Minutes

1. CALL TO ORDER

Chair Sharon Foster called the regular meeting of the Washington State Liquor Control Board to order at 10:00 a.m. on Wednesday, January 29, 2014. Member Ruthann Kurose and Member Chris Marr were also present.

2. APPROVAL OF MEETING MINUTES

MOTION: Member Kurose moved to approve the January 15, 2014, meeting minutes.

SECOND: Member Marr seconded.

ACTION: Motion passed unanimously.

3. ACTION ITEMS (A-B)

ACTION ITEM 3A - Board Approval to File Supplemental (CR 102) for Additional Rules to Implement I-502

Karen McCall, Agency Rules Coordinator, began the briefing with a packet of materials (HANDOUT(S) 1 - 5). She provided a brief background noting that this rulemaking is the result of the passage of I-502. Additional rules are needed to implement the initiative and additional revisions are needed to some previously adopted rules for the traceability system and quality assurance.

Proposed Changes

New Sections: Search & Seizure and revisions to WAC 314-55-083 - What are the security requirements for a marijuana license and WAC 314-55-102 Quality assurance testing. Additional rules are needed to implement I-502. New rules for search and seizure and additional revisions to WAC 314-55-083 and WAC 314-55-102 are needed to further clarify I-502 for marijuana licensees. Changes include:

WAC 314-55-083: What are the security requirements for a marijuana licensee? A revision to subsection 5 (Start-up inventory for marijuana producers) is needed to clarify that the marijuana producer licensee must record each marijuana plant into the traceability within 24 hours of the time the plant is brought into the licensed premises. Additional requirements for key events that are required to be entered into the traceability system were added.

WAC 314-55-102: Quality Assurance Testing - Added language to clarify third party testing labs. A revision to subsection 4 is needed to clarify that labs are responsible for any cost to the vendor for validation and ongoing monitoring. Removed the word "accredited" and replaced it with "certified". Clarified that any certified lab with a direct or indirect financial interest in a marijuana producer or processor license must disclose the information to the board by affidavit. Revised the table of quality assurance tests to be performed by certified labs. Added language that requires certified labs to enter test results into the traceability system within 24 hours and also enter into the traceability system the receipt of samples from marijuana producers and processors.

New Section: WAC 314-55-200 - How will the liquor control board identify marijuana, usable marijuana, and marijuana-infused products during checks of licensed businesses? Includes language that identifies how the liquor control board will identify marijuana, useable marijuana and marijuana-infused products during premises checks of licensed marijuana businesses.

New Section: WAC 314-55-210 - Will the liquor control board seize or confiscate marijuana, usable marijuana, and marijuana-infused products? Explains the circumstances under which the liquor control board may seize marijuana, useable marijuana, and marijuana-infused products.

New Section: WAC 314-55-220 - What is the process once the board summarily orders marijuana, usable marijuana, or marijuana-infused products of a marijuana licensee to be destroyed? Explains the process that will be followed once the liquor control board issues an order for marijuana, useable marijuana, or marijuana-infused products to be destroyed.

New Section: WAC 315-55-230 - What are the procedures the liquor control board will use to destroy or donate marijuana, usable marijuana, and marijuana-infused products to law enforcement? Includes the procedure that will be followed if the liquor control board finds product in excess of maximum limits allowed on a marijuana licensed premises at any given time.

Timeline

January 29, 2014	Board is asked to approve filing the supplemental proposed rules (CR 102)
February 19, 2014	Code Reviser publishes notice - LCB sends notice to rules distribution list
March 12, 2014	Public hearing held
March 12, 2014	End of written comment period
March 19, 2014	Board is asked to adopt rules
March 19, 2014	Agency sends notice to shoe who commented
March 19, 2014	Agency files adopted rules with Code Reviser
April 19, 2014	Rules are effective (31 days after filing)

Ms. McCall requested approval from the Board to file proposed rules.

MOTION: Member Marr moved approval to file supplemental (CR 102) for Additional Rules to Implement I-502.

SECOND: Member Kurose seconded.

ACTION: Motion passed unanimously.

ACTION ITEM 3B - Board Approval to File (CR 102) for Revisions to Chapter 314-55 WAC (Revisions to Marijuana Rules)

Karen McCall, Agency Rules Coordinator, began the briefing with a packet of materials (HANDOUT(S) 1 - 4). She provided a brief background noting that these revisions are needed to provide additional clarity to marijuana license applicants and potential marijuana licensees.

Proposed Changes

Amended Section: WAC 314-55-075 - What is a marijuana producer license and what are the requirements and fees related to a marijuana producer license? Clarified what activities a marijuana producer is allowed to do conduct under the license, such as, harvest, trim, dry, cure, and package marijuana into lots for sale to marijuana processors and other marijuana producers.

Amended Section: WAC 314-55-077 - What is a marijuana processor license and what are the requirements and fees related to a marijuana processor license? Added language to clarify that a marijuana processor must accept return of products and sample jars from a marijuana retailer for destruction. They are not required to provide refunds to the retailer.

Amended Section: WAC 314-55-079 - What is a marijuana retailer license and what are the requirements and fees related to a marijuana processor license? Added language to clarify that internet and delivery or product "to customers" is prohibited. Added language that a marijuana retailer may transport product to other marijuana retail businesses they own and operate but they must follow the transport rules. Marijuana retailers may not accept return of product that has been opened.

Amended Section: WAC 314-55-084 - Production of marijuana (Section 1 was removed). The language was no longer needed because the Department of Agriculture has posted a list on their website that lists the soil amendments, fertilizers, pesticides, and other crop aides that may be used in the production of marijuana.

Amended Section: WAC 314-55-085 - What are the transportation requirements for a marijuana licensee? Added language to provide information about the transporting vehicle and clarified the transport manifest must be completed on a form provided by the Board. Added certified testing labs as entities allowed to transport marijuana and marijuana infused products.

Amended Section: WAC 314-55-089 - What are the tax and reporting requirements for marijuana licensees? Added language to clarify that a marijuana producer must pay the 25% marijuana excise tax on sales to another producer.

Amended Section: WAC 314-55-092 - What if a marijuana licensee fails to pay or report, or reports or pays late? Added language to clarify how the Board will determine if a payment or report is late if there is no postmark. It will be based on the date of the letter.

Amended Section: WAC 314-55-104 - Added language to clarify the use of a closed loop extraction system and define the requirements of a closed-loop extraction system.

Amended Section: WAC 314-55-105 - Packaging and labeling requirements. Added the word "infused" to marijuana products. Removed language that allowed marijuana retailers to destroy sample jars of marijuana. The sample jars must be returned to the marijuana processor for destruction.

Timeline

January 29, 2014	Board is asked to approve filing of proposed rules (CR-102)
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March 12, 2014	End of written comment period
March 19, 2014	Board is asked to adopt rules
March 19, 2014	Agency sends notice to those who commented
March 19, 2014	Agency files adopted rules with Code Reviser
April 19, 2014	Rules are effective (31 days after filing)

Ms. McCall requested approval from the Board to file the revisions to the rules.

MOTION: Member Kurose moved approval to file (CR 102) for Revisions to Chapter 314-55 WAC (Revisions to Marijuana Rules).

SECOND: Member Name seconded.

ACTION: Motion passed unanimously.

NEW BUSINESS/OLD BUSINESS

No new business or old business was reported.

Chair Foster invited citizens to address the Board regarding any issue related to LCB business.

Phyl Wayt - Wayt Consulting

Mr. Phyl Wayt commented on LCB Agency Request Legislation (HB 2304 and SB 6160) concerning marijuana processing and licensees. Part of the initiative would allow people, through public disclosure, to obtain account numbers and account values, which raises concerns for clients and investors that do not want their banking information disclosed. Through his investigation, Mr. Wayt found that in the *Financial Commercial and Propriety Information Public Disclosure Statue*, contains several exemptions for disclosure of account numbers and values for liquor licensees, gambling licensees and lottery retail licensees. He has spoken with the sponsor of the bill and legislative staff and all are agreeable to this finding and an amendment has been drafted. Mr. Wayt stated that this is an important bill and needs to pass and he will not jeopardize its passage but did want this portion addressed if possible.

The Board agreed with this approach and appreciated being informed.

TK Bentler - Representing the Washington Association of Neighborhood Stores (WANS)

Mr. Bentler commented on the Growler bill. He met with the primary sponsor and James Paribello, LCB Legislative Liaison, regarding the (4) issues the Board wanted addressed if they were going to support the bill. Mr. Bentler's association is in agreement with (3) of the requests but had concern about the 4th (prohibition in AIA's). Mr. Bentler suggested that rather than an outright ban on AIA's where growlers are being sold in grocery stores he suggested the following language:

"The LCB may restrict licensees within an AIA at their discretion as they deem necessary".

There was a brief discussion regarding the proposed language and potential consequences including:

- What the mechanism would be to inform the Board of rising issues.
- Language would need specific conditions surrounding compliance.
- Process would need to note level of documentation and level of action.

Chair Foster also said she wanted the word "may" changed to "shall."

Member Kurose noted the need to *define* craft brews.

Member Marr stated that the Board is amenable to the principle being discussed.

Mr. Bentler will provide the new language to the Board when completed.

ADJOURN

Chair Foster adjourned the meeting at 10:45.

Minutes approved this 12TH day of FEBRUARY, 2014



Sharon Foster
Board Chair



Ruthann Kurose
Board Member



Chris Marr
Board Member

LCB Mission

Promote public safety by consistent and fair administration of liquor and cannabis laws through education, voluntary compliance, responsible sales and preventing the misuse of alcohol, cannabis and tobacco.

Complete meeting packets will be available online following each meeting: <http://www.liq.wa.gov/board/board-information>