



# Washington State Liquor Control Board

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## Washington State Liquor Control Board Meeting

Wednesday, January 8, 2014, 10:00 a.m.  
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 8, 2014. Member Ruthann Kurose and Member Chris Marr were also present.

#### 2. APPROVAL OF MEETING MINUTES

MOTION: Member Kurose moved to approve the December 18, 2013, meeting minutes.

SECOND: Member Marr seconded.

ACTION: Motion passed unanimously.

#### 3. ACTION ITEMS (A-B)

##### **ACTION ITEM 3A - Board Approval to File Proposed Rules (CR 102) for 1000' Buffer**

Karen McCall, Agency Rules Coordinator, began the briefing with a packet of materials (HANDOUTS [3A] 1, 2, 3). She provided a brief background noting that this rulemaking is the result of the federal enforcement guidelines measurement of the 1000 foot buffer for marijuana licenses. This rulemaking will change the rule adopted by the board on October 16, 2013, on how the Board will measure the 1000 foot buffer.

##### Proposed Changes

The rule will be revised to be consistent with the federal enforcement guidelines. The distance shall be measured as the shortest straight line distance from the property line of the proposed building or business locations to the property line of the entities listed in RCW rather than the most direct route over or across established public walks, street, or other public passageways.

## Timeline

January 8, 2014	Board is asked to approve filing the proposed rules (CR 102 filing)
February 5, 2014	Code Reviser publishes notice - LCB sends notice to rules distribution list
February 26, 2014	End of written comment period
February 26, 2014	Public hearings held
March 5, 2014	Board is asked to adopt rules
March 5, 2014	Agency sends notice to those who commented
March 5, 2014	Agency files adopted rules with the Code Reviser (CR 103)
April 5, 2014	Rules are effective (31 days after filing)

The Board had a brief discussion about the reasoning for this change to comply with federal rules to prevent future complications for licensees.

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

MOTION: Member Kurose moved to approve filing of the proposed rules (CR 102) for 1000' Buffer.

SECOND: Member Marr seconded.

ACTION: Motion passed unanimously.

### **ACTION ITEM 3B - Board Approval to File Proposed Rules (CR102) for Return Wine to Washington**

Karen McCall, Agency Rules Coordinator, began the briefing with a packet of materials (HANDOUTS [3B] 1, 2, 3). She provided a brief background noting that this rulemaking is a result of a petition for rulemaking submitted by Susan Johnson on behalf of Columbia Winery. The current rule requires a Washington winery bringing their bottled wine back into Washington State to bring the wine to the winery only. Washington wineries that export bottled wine out of the state of Washington wine would like to have the option of bringing the bottled wine back into Washington directly to a wine distributor or bonded wine warehouse.

- The requirement that Washington Wine that is being returned to the state first be returned to the winery of origin does not pose a public safety hazard;
- The current requirement does not add value to the regulatory process and is currently being complied with through a process that is often referred to as "bumping the dock".
- While the current process does provide a physical audit trail, this chain of regulatory responsibility can currently be accomplished through alternative electronic invoicing, which will assist in streamlining and removing costs and waste from the process.

## Proposed Changes

Amended Section: WAC 314-24-070 Domestic wineries - Purchase and use of bulk wines, brandy or wine spirits - Import permit required - Records - Wine returned to Washington. The revised the rule to allow bottled wine being brought back into Washington to go directly to a wine distributor, bonded wine warehouse, or the winery.

## Timeline

January 8, 2014	Board is asked to approve filing the proposed rules (CR 102 filing)
February 5, 2014	Code Reviser publishes notice - LCB sends notice to rules distribution list
February 26, 2014	Public hearing held
February 26, 2014	End of written comment period
March 5, 2014	Board is asked to adopt rules
March 5, 2014	Agency sends notice to those who commented
March 5, 2014	Agency files adopted rules with the Code Reviser (CR 103)
April 5, 2014	Rules are effective (31 days after filing)

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

MOTION: Member Kurose moved to approve filing proposed rules (CR102) for Return Wine to Washington.

SECOND: Member Marr seconded.

ACTION: Motion passed unanimously.

## **4. PUBLIC HEARINGS (A-C)**

### **PUBLIC HEARING 4A - Theater Licenses**

Karen McCall, Agency Rules Coordinator, began the briefing with a packet of materials (HANDOUTS [4A] 1, 2, 3). She provided a brief background and noted the proposed changes:

New Section: WAC 314-02-082 - What is a beer and wine theater license? This explains the requirements and conditions for a beer and wine theater license.

New Section: WAC 314-02-087 - What is a spirits, beer, and wine theater license? This explains the requirements and conditions for a spirits, beer, and wine theater license.

Chair Foster asked for clarification that beer and wine could only be consumed in theaters with (4) screens and that it would have to be consumed outside the showing area.

Ms. McCall confirmed that they could have no more than (4) screens but guests *are allowed* to consume alcohol in the theater if the theater has an active Minor Alcohol Control Agreement.

Chair Foster then opened the public hearing and noted that no one had signed in but did invite citizens to the podium to provide comments.

### Susan Johnson - Columbia Winery

Ms. Johnson pointed out that during the rule making process the serving size of the drinks were addressed and she hopes this will help with the control of pass-offs to minors.



## **PUBLIC HEARING 4B - Beer/Wine Sampling at Farmer's Markets**

Karen McCall, Agency Rules Coordinator, began the briefing with a packet of materials (HANDOUTS [4B] 1, 2, 3). She provided a brief background and noted the proposed changes:

New Section: WAC 314-20-018 - Farmer's market beer and wine sampling. Set up criteria and conditions for beer and wine sampling at farmer's markets.

New Section: WAC 314-24-175 - Farmer's market beer and wine sampling. Set up criteria and conditions for beer and wine sampling at farmer's markets.

Chair Foster opened the public hearing and noted that no one had signed in but did invite citizens to the podium to provide comments.

### Paul Beveridge - Family Wineries of Washington State

Mr. Beveridge stated that this is a good program that has been very positive for small winery members. He did request that the term "*at the Farmer's market booths*" remain in the statute language instead of "*in the Farmer's market booths*". He indicated that customers do not like being required to stand in a cramped 10x10 area while tasting. He also asked if the Board could alleviate the requirement to report schedules every month. He noted that the Farmer's Market schedules are created a year in advance and it would be helpful to be able to send in the entire year instead of having to resubmit the schedule each month.

## **PUBLIC HEARING 4C - Alcohol Tasting for 18 to 20 Year Olds Enrolled at a Technical or Community College**

Karen McCall, Agency Rules Coordinator, began the briefing with a packet of materials (HANDOUTS [4C] 1, 2). She provided a brief background and noted the proposed changes:

New Section: WAC 314-38-060 - Special permit for technical or community colleges as authorized by RCW 66.20.010 (12) shall be called a Class 15 permit. Created a new WAC in Chapter 314-38 WAC to describe what the permit allows and the requirements to qualify for the permit.

Chair Foster opened the public hearing and noted that no one had signed in but did invite citizens to the podium to provide comments. No one came forward.

## **5. INDUSTRY UPDATE - Presenter - Steven Stone, President/Owner, Washington Distillers Guild**

Member Marr provided a brief background noting that the Board supports the growth of this industry and welcomed Mr. Stone.

Mr. Stone began his presentation on the distilling industry by providing an industry fact sheet (HANDOUT 5A). He noted that Washington has 83 licensed distilleries in the state with 20 state license applications in process. The Washington Distillers Guild estimates this to be the highest number of distilleries of any state in the country that are dedicated to producing spirits for retail sale. Seattle has more distilleries than any city in the country (18).

Washington State's distilling industry paid an estimated \$16 million in state taxes in 2013. Distilleries are located in all parts of Washington stretching from Grays Harbor to the state's first distillery in Spokane and from Lyndon to Vancouver. A broad range of classic and inventive styles of distilled spirits are produced primarily from grain and fruit bases.

The distilling industry in Washington State is growing fast and producing an ever-widening range of spirits. The industry is a natural extension of the state's strength and reputation in the agriculture and alcohol industries, earned from the production of world-class beer and wines. The American Distilling Institute has acknowledged the strength of the Washington distilling industry by selecting Seattle as the location for its annual conference in spring of 2014. The conference is expected to draw more than 1,000 distillers and industry professionals from across the country.

The Washington Distillers Guild was established in 2008 and is a non-profit organization that represents and works to promote the success of state distilleries. In 2013, the Guild hosted PROOF, its first major consumer event, with 29 distilleries from Washington offering tastes of more than 75 different spirits to a sold-out audience.

Mr. Stone added that a primary challenge they face is the higher taxes and tax structures. He stated that Washington is 8 to 9 times higher than the national average and with a small production scale it makes the wholesale prices much higher and profit margins lower.

The Board thanked Mr. Stone for his thorough and thoughtful presentation.

Member Marr invited Mr. Stone to provide an annual update to the Board.

**6. NEW BUSINESS/OLD BUSINESS**

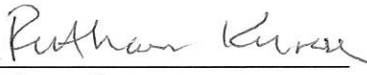
No new business or old business reported.

**ADJOURN**

Chair Foster adjourned the meeting at 10:55.

Minutes approved this 15th day of JANUARY, 2014

  
Sharon Foster  
Board Chair

  
Ruthann Kurose  
Board Member

  
Chris Marr  
Board Member

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