



Washington State Liquor Control Board

Washington State Liquor Control Board Meeting

Wednesday, October 22, 2014, 10:00 a.m.
LCB Headquarters - Board Room
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, October 22, 2014. Member Chris Marr was also present and Member Ruthann Kurose participated by phone.

2. APPROVAL OF MEETING MINUTES

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

SECOND: Member Marr seconded.

ACTION: Motion passed unanimously.

3. ACTION ITEMS (A-D)

ACTION ITEM 3A - Board Approval to File CR 101 to Revise WAC 314-02-106 Spirits Retail Licenses

Karen McCall, Agency Rules Coordinator, began the briefing with materials (HANDOUTS 3A 1-2). She provided a brief background noting that this rulemaking is the result of a petition for rulemaking submitted by Cindy Zehnder, on behalf of Total Wines & More and Diageo, to delete the sentence "Spirits samples must be unaltered" from WAC 314-02-106. Total Wine & More would like to better educate their customers about the unique qualities of their products and provide them with ideas for how those products can be served. RCW 66.24.670 allows spirits sampling but has very little language in the form of what is and isn't allowed.

Timeline

October 22, 2014	Board is asked to approve filing the pre-proposal statement of inquiry (CR 101)
November 5, 2014	Code Reviser publishes notice - LCB sends notice to rules distribution list
November 5, 2014	End of written comment period
December 10, 2014	Board is asked to approve filing the proposed rules (CR 102 filing)
January 7, 2015	Code Reviser publishes notice - LCB sends notice to rules distribution list
January 28, 2015	Public hearing held
January 28, 2015	End of written comment period
February 4, 2015	Board is asked to adopt rules
February 4, 2015	Agency sends notice to those who commented
February 4, 2015	Agency files adopted rules with the Code Reviser (CR 103)
March 7, 2015	Rules are effective (31 days after filing)

Ms. McCall then requested approval from the Board to file the CR 101.

MOTION: Member Kurose moved to approve filing the CR 101 to Revise WAC 314-02-106 Spirits Retail Licenses.

SECOND: Member Marr seconded.

ACTION: Motion passed unanimously.

ACTION ITEM 3B - Board Approval to File CR 101 to Revise WAC 314-12-215 Alcohol Impact Areas

Karen McCall, Agency Rules Coordinator, began the briefing with materials (HANDOUTS 3B 1-2). She provided a brief background noting that this rulemaking is the result of the Washington Beer & Wine Distributors Association (WBWDA) submitting a petition for rulemaking to revise WAC 314-12-215 Alcohol Impact Areas (AIA) - Definition - Guidelines. WBWDA is asking the Board to re-evaluate the following areas in the current rule:

- Clarifying the information that must be provided by a local government seeking authority to impose an AIA
- Determining which products should be included in the scope of AIA regulation
- Evaluating the effectiveness of a specific AIA in promoting public safety over time

WBWDA believes all stakeholders could benefit if the Board considers these areas and clarifies the language of the rule.

Timeline

October 22, 2014	Board is asked to approve filing the pre-proposal statement of inquiry (CR 101)
November 5, 2014	Code Reviser publishes notice - LCB sends notice to rules distribution list
November 5, 2014	End of written comment period
December 10, 2014	Board is asked to approve filing the proposed rules (CR 102 filing)
January 7, 2015	Code Reviser publishes notice - LCB sends notice to rules distribution list
January 28, 2015	Public hearing held
January 28, 2015	End of written comment period

February 4, 2015	Board is asked to adopt rules
February 4, 2015	Agency sends notice to those who commented
February 4, 2015	Agency files adopted rules with the Code Reviser (CR 103)
March 7, 2015	Rules are effective (31 days after filing)

Ms. McCall then requested approval from the Board to file the CR 101.

MOTION: Member Kurose moved to approve filing the CR 101 to Revise WAC 314-12-215 Alcohol Impact Areas.

SECOND: Member Marr seconded.

ACTION: Motion passed unanimously.

ACTION ITEM 3C - Board Approval to File CR 101 for Review of Chapter 314-07 WAC How to Apply for a Liquor License

Karen McCall, Agency Rules Coordinator, began the briefing with materials (HANDOUTS 3C 1-2). She provided a brief background noting that as part of the Liquor Control Board's on-going rules review process, Chapter 314-07 WAC is being reviewed for relevance, clarity, and accuracy.

Timeline

October 22, 2014	Board is asked to approve filing the pre-proposal statement of inquiry (CR 101)
November 5, 2014	Code Reviser publishes notice - LCB sends notice to rules distribution list
November 5, 2014	End of written comment period
December 10, 2014	Board is asked to approve filing the proposed rules (CR 102 filing)
January 7, 2015	Code Reviser publishes notice - LCB sends notice to rules distribution list
January 28, 2015	Public hearing held
January 28, 2015	End of written comment period
February 4, 2015	Board is asked to adopt rules
February 4, 2015	Agency sends notice to those who commented
February 4, 2015	Agency files adopted rules with the Code Reviser (CR 103)
March 7, 2015	Rules are effective (31 days after filing)

Ms. McCall then requested approval from the Board to file the CR 101.

MOTION: Member Kurose moved to approve filing the CR 101 for Review of Chapter 314-07 WAC How to Apply for a Liquor License.

SECOND: Member Marr seconded.

ACTION: Motion passed unanimously.

ACTION ITEM 3D - Board Approval to File Emergency Rules for Recreational Marijuana

Karen McCall, Agency Rules Coordinator, began the briefing with materials (HANDOUTS 3D 1-5). She provided a brief background noting that these emergency rules are needed to clarify the types of marijuana-infused products the Board will allow marijuana processors to produce and marijuana retailers to sell to consumers. The emergency rules also include a requirement for the Board to approve all marijuana-infused products, packaging, labeling, and clarification on the security and surveillance requirements at a marijuana licensed premises. The emergency rules also include the good laboratory practice checklist. The emergency rules for marijuana-infused edible products and clarification on the security and surveillance requirements at a marijuana licensed premises were originally adopted by the Board on June 25, 2014, and expire on October 23, 2014. The emergency rule for the good laboratory practice checklist was originally approved by the Board on May 25, 2014, and expired on September 25, 2014.

The emergency rules are necessary for the preservation of the public health, safety, and general welfare. The rule becomes effective upon filing with the Code Reviser's Office and will expire February 19, 2015, 120 days after filing.

The emergency rules are part of the proposed rules filed with the Code Reviser's Office on October 15, 2014, which also includes revisions to marijuana rules in chapter 314-55 WAC.

Timeline

October 22, 2014	Board is asked to approve filing the emergency rules
October 22, 2014	Emergency rules becomes effective
February 19, 2015	Emergency rules expires

Ms. McCall then requested approval from the Board to file the emergency rules.

MOTION: Member Kurose moved to approve filing the emergency rules for Recreational Marijuana.

SECOND: Member Marr seconded.

ACTION: Motion passed unanimously.

4. MARIJUANA LICENSING UPDATE

Becky Smith, Marijuana Licensing & Regulations Manager, provided the weekly marijuana licensing update with the following highlights:

Producer/Processor Applications

- 285 Producer/Processor licenses have been issued
 - 205 Producer/Processor
 - 62 Producer - 18 Processor
- 20 licenses are pending payment
- 22 moved to enforcement for inspection
- 39 are waiting for applicant to build

3,048,499 M square feet approved for plant canopy

Change in Applications - 4 accepted and assigned this week for a total of 26 in process

Retail Applications

- 68 Retail licenses have been issued
- 8 are pending payment
- 20 moved to enforcement for inspection

Member Marr thanked Ms. Smith for her update. He did ask that future reports include how many of the producers, processors, and retailers are actually performing and producing taxable sales. In addition, he would like to see a graph that illustrates data points that reflect the trends. This would help him better understand product shortages, etc.

5. NEW BUSINESS/OLD BUSINESS

No new or old business was reported.

Chair Foster then invited citizens to address the Board regarding any issue(s) related to LCB business.

Dante Jones - Representing Washington Marijuana Association (WMA or WHAM-JA)

Mr. Jones provided an issue paper to the Board (CITIZEN HANDOUT 1) and noted that he was joined by Dr. Scott Brown and Trey Rackling. He stated that WMA is a grassroots organization built from over 740 I-502 businesses and represents the entire cannabis industry with over 262 ancillary business members. Their primary goals are to advocate, educate, and connect. He stated that they embrace the notion that the world is now watching I-502 succeed and delivering successful businesses in this regulated industry.

Mr. Jones highlighted three areas of concern their organization is focusing on:

1. Feedback & Information
 - a. Issue:
 - i. LCB has not consistently heard from I-502 licensees and applicants
 - b. Concerns:
 - i. LCB does not receive enough feedback regarding operation and rule implementation
 - ii. issues raised by the WMA members are not being raised to the LCB
 - iii. legislative initiatives are being implemented without adequate feedback from affected businesses
 - c. Answers:
 - i. WMA will attend the weekly LCB Board meetings to listen and to speak on behalf of the I-502 business community
 - ii. WMA will survey its members for input and share with LCB during rule making
 - iii. WMA requests to be part of a future LCB marijuana business advisory council to represent the interests of the I-502 business community

2. Market Accessibility

- a. Issues:
 - i. limited access to the wholesale market raising costs
 - ii. high market costs will persist without a functioning distribution model
- b. Concerns:
 - i. constrained access to products
 - ii. many processor distributions have not happened due to financial disincentives of the 25% excise tax
 - iii. price gouging due to supply-side restrictions create wholesale price increases
 - iv. no method to track B2B issues
- c. Answers:
 - i. allow registered 3rd party marketplaces to buy and sell products through tracked purchases
 - ii. ensure fair distribution of product across all businesses
 - iii. requests the Board work with WMA to allow 3rd party marketplace to connect wholesale licensee transactions, in accordance with regulations

3. Training & Education

- a. Issue:
 - i. I-502 businesses need trained workers to comply with regulations
- b. Concerns:
 - i. LCB cannot measure successfully if employees are not well trained
 - ii. public safety is threatened when workers are not equipped to implement the regulations required
 - iii. difficult to measure expertise - seeing a high turnover rate and wasted investment in capital
 - iv. infractions result in painful business expenses
 - v. untrained workforce threatens public safety
- c. Answers:
 - i. oversight and training like alcohol and tobacco model and should be implemented by LCB
 - ii. permits, testing the on-the-job regulations and rules are required, similar to those in the liquor industry
 - iii. recognize professional certifications measuring the knowledge and experience levels of individuals
 - iv. requests the Board work with Seattle Cannabis Institute and WMA to develop training and permitting in accordance with regulations

Chair Foster thanked Mr. Jones for his presentation. She also noted that many of the issues presented would need a legislative change.

Member Marr appreciated Mr. Jones' thoughtful presentation and analysis. He agreed that enhanced and transparent communication is important but must be balanced with the understanding that internal LCB resources are stretched thin. He also noted that many of the issues presented have been discussed internally for some time and he is glad to hear that licensees are visiting these issues as well.

Member Kurose hopes to continue to hear updates on the important data they are gathering. She also expressed her appreciation for the concerns they raised regarding public safety.

Trey Rackling - Dean of Seattle Cannabis Institute

Mr. Rackling expressed concern about appropriate professional training to meet the challenges of I-502 employees so they may properly handle, prepare, and distribute cannabis. He proposed the establishment of a knowledge-based certification and offered to partner with the LCB to raise the standard of informed service and delivery to the internal and external customers while reducing risks. This partnership would further strengthen the industry.

Chair Foster suggested they speak with Randy Simmons, LCB Deputy Director.

Member Marr noted that the Board would be holding a future I-502 work session and suggested that as an opportunity to bring this issue forward. He added that the Board determined that there is a need to form a separate Business Advisory Council (BAC) for marijuana related issues separate from the current alcohol BAC. He also encouraged them to work with the legislature but recommended that the various groups gain consensus prior to bringing their issues forward to the legislature.

Chair Foster suggested that they connect with all of the current I-502 associations to build partnerships.

Mr. Jones noted that there is a membership group and he would provide that list to the Board.

Charlie Brown - Spoke on Behalf of Diageo & Cindy Zehnder of Total Wine & More

Mr. Brown thanked the Board for moving on the Spirits Retail License. They look forward to working with the Board as this moves forward.

Rick Garza - LCB Director

Director Garza thanked the WMA for their input and their interest in I-502 training. He asked that they develop a training curriculum to bring forward. He added that he will have Karen McCall, LCB Rules Coordinator, look into whether I-502 gives the Board the authority to offer and oversee training.

Ms. McCall noted that the current initiative does not state that training will be provided by the LCB but the law can be changed through the legislature.

Director Garza also suggested that WMA request time with the Board to discuss these issues in greater detail. He added that they could also request time from the Marijuana Enforcement Division to have them come out to their sites to offer guidance. He also suggested that they put together a code of conduct and best practices model for their own use. Director Garza also invited them to participate in future Board I-502 work session.

Ms. Becky Smith, LCB Marijuana Licensing & Regulations Manager, added that they should reach out to representatives from the Colorado industry to better understand their training models.

Member Kurose wanted to acknowledge how well LCB staff did during the Tacoma Lean conference.

ADJOURN

Chair Foster adjourned the meeting at 10:40.

Minutes approved this 5TH day of NOVEMBER, 2014

Not Present

Sharon Foster
Board Chair

Ruthann Kurose

Ruthann Kurose
Board Member

Chris Marr

Chris Marr
Board Member

Minutes Prepared by: Maureen Malahovsky, Confidential Secretary to the Board

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 are available online: http://lcb.wa.gov/boardmeetings/board_meetings
For questions about agendas or meeting materials you may email maureen.malahovsky@lcb.wa.gov or call 360.664.1717