



# Washington State Liquor Control Board

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## Washington State Liquor Control Board Meeting Business Advisory Council Work Session

Wednesday, December 10, 2014, 10:00 to 12:00  
LCB Headquarters - Room 201  
3000 Pacific Avenue SE, Olympia WA 98501

### Meeting Minutes

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#### PRESENT

##### LCB BAC MEMBERS

- Member Chris Marr (BAC Chair)
- Chair Sharon Foster
- Member Ruthann Kurose
- Director Rick Garza

##### LCB STAFF

- Randy Simmons, Deputy Director
- Karen McCall, Rules Coordinator
- Justin Nordhorn, Chief
- James Paribello, Tribal & Legislative Liaison
- Mike Kashmar, Chief Financial Officer
- Mary Segawa, Alcohol Awareness Program Manager
- Patrick Woods, Education & Outreach Manager
- James Goodman, Lean Program Manager
- Maureen Malahovsky, Confidential Secretary to the Board
- Cindy Doughty, Board Office Administrative Assistant

##### INDUSTRY BAC MEMBERS

- Jean Leonard, WA Wine Institute
- Jason Parker, WA Distillers Guild (New Member)
- Jan Gee, WA Food Industry Association
- Charlie Sullivan, WA Brewers Guild
- Christine Masse - Representing Bob Kelly, Tribes (Nooksack)
- Julia Gorton - Representing Anthony Anton, WA Restaurant Association
- TK Bentler, WA Association of Neighborhood Stores
- Bill Stauffacher - Representing Scott Hazelgrove, WA Beer & Wine Distributor
- David Ducharme, Distilled Spirits council of the US (DISCUS)

## **INDUSTRY BAC INTERESTED PARTIES**

- Cindy Zehnder, Total Wine & More
- Holly Chisa, Northwest Grocers Association
- Stephenie Shah, Diageo
- Jasmel Sangha, WA state Liquor Store Association
- Amy Brackenbury, WA Food Industry Association
- Susan Johnson, Steel Rivers LLP
- Greg Hanon, Costco
- Nathan Fitzgerald, 7 Eleven

## **ADDITIONAL GUESTS**

- Heather McClung, WA Brewers Guild
  - Dick Cantwell, WA Brewers Guild
  - David Cho, WA Liquor Store Association
  - Jim Hedrick, WA Distillers Guild
  - Rick Hann, Costco
  - Brad Tower, WA Liquor Store Association
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## **1. WELCOME & INTRODUCTIONS**

BAC Chair, Member Chris Marr, called the alcohol Business Advisory Council meeting of the Washington State Liquor Control Board to order at 10:00 a.m. on Wednesday, December 10, 2014. LCB Chair Sharon Foster and Member Ruthann Kurose were also present. He welcomed everyone and acknowledged that it has been awhile since the last meeting and he looked forward to hearing updates.

## **2. AGENCY UPDATES**

Director Rick Garza provided agency updates beginning with his appreciation for the two departing LCB Board members, Chair Sharon Foster and Member Chris Marr. He noted that Chair Foster would be retiring on January 15, and Member Marr would be leaving the agency near the end of January.

He then reported that state agencies have been asked to participate in an OFM budget exercise. Agencies have been asked to submit a 15% reduction from their overall budgets but noted that there would be an opportunity to do a 10% "buy back".

Director Garza also identified two important budget requests:

### 1. Licensing & Enforcement System Modernization Project

The LCB is pursuing agency request legislation to address the need to fund the replacement and modernization of outdated licensing and enforcement regulatory systems through a temporary increase in the surcharge applied to new licenses, renewals, and any modifications to a license.

The surcharge increase would last for two years, which would adequately cover the cost of the new IT system. Legislation is needed because LCB fees are established in statute and consequently have not been adjusted for many years.

The proposed project will replace the LCB 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 and allow for greater efficiencies in changes to license types.

Beyond the internal administrative benefits, licensee stakeholders and the public can generally expect:

- Reduced processing time; license issuance could be improved up to 25% on average
- Better and more timely communication
- Improved self-service capabilities
- Better access to data as a result of improved on-line data access
- Better, safer data security and integrity

Director Garza also expressed his appreciation to the stakeholders that helped move this forward.

## 2. Enforcement Officer Authority

Recent changes in state law pertaining to Initiative 1183 (I-1183) and Initiative 502 (I-502) are changing the dynamics and scope of the liquor enforcement officer's work environment. These changes include investigating new areas of criminal law, encountering criminal activity outside the scope of our limited commission, and receiving service requests for issues outside, but intertwined with, our current scope of authority.

I-1183 has brought an increase in illegal activity associated with liquor including tax evasion, illegal transportation and smuggling, thefts, and unlicensed sales. I-502 expands the authority of the LCB to include Washington State criminal codes encompassing drug laws detailed in RCW 69.50. To be successful promoting public safety through consistent and fair administration of law, gaps in our current operation must be addressed.

The lack of ability to offer assistance to licensees for intervention in criminal matters extends beyond off premises sales. LEOs can encounter criminal activity in any liquor or marijuana licensed business. Due to the limited nature of their commission, officers sometimes hesitate, or are reluctant to get involved in public safety intervention for fear of acting outside the scope of their authority.

The intent in this year's scaled-back approach is for LCB officers to be able to:

- Address public safety issues occurring in their presence
- Provide service to licensees who request assistance on misdemeanor issues in their establishments in lieu of waiting extended durations for a police response
- Stop/prevent impaired patrons (under Title 46) from driving away from licensed locations;
- Address theft of alcohol issues
- Have the ability to investigate criminal activity associated with financial crimes
- To complete investigations associated with criminal conduct in titles 9 and 9a during the course of normal duties, rather than delay investigations waiting for possible local jurisdiction involvement
- To have LCB officer referrals to local law enforcement be treated equally under mutual law enforcement assistance
- Provide clarity for 69.50 RCW

Director Garza also noted that there will be a request for additional enforcement officers.

### 3. RULES UPDATE

Karen McCall, Agency Rules Coordinator, began her briefing with document (HANDOUT 1) noting the agency's pending rulemaking. She highlighted the following items:

<u>Name</u>	<u>CR 102</u>	<u>Public Hearing</u>	<u>CR103</u>
How to Apply for a Liquor License	2/11/15	3/25/15	4/1/15
Spirits Retail License Tastings	1/7/15	1/28/15	2/4/15
Alcohol Impact Areas (AIAs) - Ask for a work session on	12/17/14		
Outside Service Requirements	1/7/15	2/11/15	2/18/15
Fair Trade Practices	2/11/15	3/25/15	4/1/15

### 4. LEGISLATIVE UPDATES

James Paribello, LCB Tribal & Legislative Liaison, provided a packet of legislative briefing materials (HANDOUT 2) which highlighted agency request legislation:

- Concerning State Liquor Control Board Enforcement Officers
- Allowing Donations to the WSLCA for Marijuana-Related Public Awareness Campaigns
- Creating a Marijuana Research License
- Ensuring Safe, Responsible, and Legal Acquisition of Marijuana by Adults
- Implementing a Temporary Additional Fee on Licenses and Permits Issued by the WSLCB
- Concerning Marijuana, Useable Marijuana, and Marijuana-Infused Products I Public
- Modifying the Licensing Requirements for Members-Only Clubs

Mr. Paribello placed emphasis on request legislation to expand enforcement authority for LCB officers.

### 5. BAC MEMBER ROUNDTABLE

Member Marr then invited the attendees to share comments surrounding legislation they may be proposing or evaluating as well as any policy development their respective organizations might be involved with.

Bill Stauffacher - WA Beer & Wine Dist. Wholesalers Assoc. (Representing Scott Hazelgrove - Member)

Mr. Stauffacher noted that they are considering legislation to change the law surrounding supervised alcohol merchandising for minors. They want the statute to be changed to 18 years of age.

TK Bentler - Lobbyist for WA Association of Neighborhood Stores (Member)

Mr. Bentler noted that last year they submitted a bill to allow grocery stores to offer growlers. In addition, he reported that they have been working with the Board on the cider growler issue. He also noted that there may be a bill introduced to allow people to have a taste of beer or wine in a restaurant prior to ordering.

Director Garza said he would follow up with LCB staff to determine if this would take a statutory change versus a rule change.

Holly Chisa - Northwest Grocers Association (Interested Party)

Ms. Chisa noted that they are also actively involved in the growler bill.

Julia Gorton - WA Restaurant Association (Representing Anthony Anton - Member)

Ms. Gorton noted that their industry strongly supports the bill to increase the enforcement software. They are also in support of LCB's bills for licensing and increased enforcement laws. She offered their assistance on these issues.

Brad Tower, WA Liquor Store Association (Guest)

Mr. Tower noted that they are expecting legislation for the former liquor stores regarding title certificates.

Charlie Sullivan - Executive Director, WA Brewers Guild (Member)

Mr. Sullivan stated that they have a few small bills that they are working including a guest beer permit to bring small amounts of beer from out of state and reciprocity regarding special occasion licenses and what can be donated to charity.

Stephenie Shah - Diageo (Interested Party)

Ms. Shah noted that they have been working with Total Wine & More on a bill that would expand tasting opportunities.

Jan Gee - WA Food Industry Association (Member)

Ms. Gee said they will support the growler bill for the grocery industry and they will continue to support the expansion of enforcement authority. She also noted that they support minors having the ability to assist with sales of alcohol in a supervised environment. Her last comment was regarding concern about the tribes not being required to pay a 17% fee that the state stores are required to pay. She is seeking a solution to this issue to secure a level playing field.

Jason Parker - WA Distillers Guild (Member)

Mr. Parker referred to Jim Hedrick, WA Distillers Guild, who noted that they want to be part of the discussions surrounding the 17% tax.

Jean Leonard - WA Wine Institute (Member)

Ms. Leonard noted the special occasion licensing language is in disarray and she asked that the LCB rewrite the rule and she would like to continue to be part of the conversation. She also raised the issue to allow wineries to serve beer so patrons won't have to be separated from wine consumers. She stated that the *interpretation* needs to be changed not the *statute*. Lastly, she said they support serving samples in restaurants noting that customers should be able to taste a wine prior to purchase if the restaurant has it available.

Cindy Zehnder - Total Wine & More (Interested Party)

Ms. Zehnder has a bill that would extend the current exemptions in the 3-Tier systems that the wine industry retailers have. We want to extend beer service and tastings in specialty shops. It would also allow third-party agency to provide the tastings services and would allow the sale of promotional items.

Dave Ducharme - Distilled Spirits Council of the US (DISCUS)(Member)

Mr. Ducharme noted that they will continue to engage in dialogue regarding current tax policies post I-1183. The state is enjoying substantial revenues since the passing of I-1183 although volume sales are well below the national average. He also noted that some members of his association are unhappy with the Board's request for a temporary fee increase.

Susan Johnson - Representing Stakeholders from All Three Tiers (Interested Party)

Ms. Johnson noted that the legislative approach should include the new classes of licenses that have been created over the last two years.

## 6. OUTREACH TEAM UPDATE

### Presenters:

- Patrick Woods, LCB Education & Outreach Manager
- Grant Bulski, LCB Field & Licensing Team Manager
- Kim Sauer, LCB RVP/MAST Manager

Patrick Woods, LCB Education & Outreach Manager, provided an education and outreach update powerpoint (HANDOUT 3). He began with guiding principles of responsible sales and highlighted (4) key areas including:

1. Events: education and outreach 48 events with over 1800 participants
2. Field Licensing: Field retail licensing contacts - 1300 in-person customer support services
3. Responsible Vendor Program (RVP): Expansion of RVP spirits, beer & wine
4. Website Resources: Promoting understanding and voluntary compliance with FAQ-pictorials

Grant Bulski, LCB Field & Licensing Team Manager, provided a brief overview of *event* customer satisfaction surveys including with assistance and compliance as well as *licensing process* customer service satisfaction including field licensing.

Kim Sauer, LCB RVP/MAST Manager, provided an overview of the Responsible Vendor Program (RVP). She provided a packet of materials (HANDOUT 4) and highlighted the following areas of the program:

- RVP Overview & Background
- RVP Program Requirements & Compliance Rates
- KARO Trade Show & Workshop Successes
- Website Activities

Mr. Woods concluded by noting that they intend to expand their website and online training and that their program has a proactive and collaborative approach to outreach with consistent messages.

Director Garza applauded their great work and for being proactive with these important initiatives.

## 7. CLOSING COMMENTS

BAC Chair, Member Chris Marr, offered closing comments and thanked everyone for their participation. He invited the members to offer ideas and suggestions regarding the current structure and format of the BAC and its meetings. He wants to see the BAC and its respective initiatives move forward effectively and successfully. He asked everyone to forward any comments to Maureen Malahovsky, Board Confidential Secretary ([maureen.malahovsky@lcb.wa.gov](mailto:maureen.malahovsky@lcb.wa.gov)).

The Board thanked everyone for coming and participating in the discussion.

**ADJOURN**

BAC Chair, Member Chris Marr, adjourned the meeting at 12:00.

Minutes approved this 17<sup>TH</sup> day of DECEMBER, 2014

  
Sharon Foster  
Board Chair

Not Present 12/17/14  
Ruthann Kurose  
Board Member

  
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](http://lcb.wa.gov/boardmeetings/board_meetings)  
For questions about agendas or meeting materials you may email [maureen.malahovsky@del.wa.gov](mailto:maureen.malahovsky@del.wa.gov) or call 360.664.1717