



Washington State Liquor Control Board

Washington State Liquor Control Board Meeting

Wednesday, July 15, 2015, 10:00 a.m.

LCB Headquarters - Boardroom

3000 Pacific Avenue SE, Olympia WA 98501

Meeting Minutes

1. CALL TO ORDER

Chair Jane Rushford called the regular meeting of the Washington State Liquor Control Board to order at 10:00 a.m. on Wednesday, July 15, 2015. Member Ruthann Kurose and Member Russell Hauge were also present. Chair Rushford first acknowledged her fellow Board members and thanked the staff for their efforts in preparing for the Board meeting.

2. APPROVAL OF MEETING MINUTES

MOTION: Member Hauge moved to approve the June 10, 2015, meeting minutes.

SECOND: Member Kurose seconded.

ACTION: Motion passed unanimously.

3. PUBLIC HEARINGS (A-B)

PUBLIC HEARING 3A - Distillery Sampling

Karen McCall, Agency Rules Coordinator, began the briefing with materials (HANDOUTS 3A 1-3). She provided a brief background noting that a petition for rulemaking was submitted by Stephanie J. Meier on behalf of Blue Spirits Distributing, LLC, a licensed craft distiller in the state of Washington. The request is to allow licensed distillers and craft distillers to use mixers in addition to ice and/or water when providing samples to their customers at their licensed premises. This allowance would be consistent with sampling activities by spirits retail licensees.

Proposed Changes

WAC 314-28-030: What does a distillery license allow? Added language to allow the licensee to use mixers in addition to ice and/or water in their samples.

WAC 314-28-050: What does a craft distillery license allow? Language was added to allow the licensee to use mixers in addition to ice and/or water in their samples.

Chair Rushford opened the public hearing and invited the first citizen to the podium to provide testimony.

Ms. McCall received no written comments and no one came forward for public comment.

Chair Rushford closed the public hearing.

PUBLIC HEARING 3B - Tacoma West End Alcohol Impact Area

Karen McCall, Agency Rules Coordinator, began the briefing with materials (HANDOUT 3B-1). She provided a brief background noting that the city of Tacoma has two Board-approved Alcohol Impact Areas (AIAs) including the Downtown and Hill Top districts that were approved in 2002 and the Lincoln district that was approved in 2008. The city has stated that alcohol related incidents involving police calls for service have decreased since the AIAs have been established in the Downtown and Lincoln districts. The city of Tacoma is currently requesting the approval of a third AIA for the West End of the city.

Chair Rushford opened the public hearing and invited the first speaker to the podium.

Ms. McCall stated she had received four comments in support from three citizens of the West End neighborhood council, one petition with 33 signatures from neighbors in support and one letter from Washington Beer and Wine Distributors Association opposing the Alcohol Impact Area in the West End of Tacoma.

Mr. Don Stodola - Tacoma Police Department

Mr. Stodola stated that he is here representing the West End Neighborhood Council. They were not able to attend but are still looking forward to the ruling on the AIA. They would still like it go forward even though they are still having some issues. Compliance is still staying fairly low at 38% as of last month. Mr. Stodola thanked Karen McCall and Jim Martinez for helping with the banned products list. We had some items mis-categorized as energy drinks and it is a good to know that there are not energy drinks with alcohol in the state of Washington. The list has been updated.

Member Hauge asked if there had been a campaign to bring vendors in the area into voluntary compliance with the list. Mr. Stodola confirmed that there is 38% compliance on a voluntary basis.

Ms. McCall also stated that she received a revised banned products list from city of Tacoma yesterday removing the energy drinks and adding products into the malt beverage category. So it has changed the list we had previously received. There will be another 30 day comment period opened so we can post the list on our website and get word out to licensees and affected parties.

Karen will come back to board for another public hearing at the end of August.

Chair Rushford closed the public hearing and thanked everyone for their input.

4. ACTION ITEMS (A-F)

ACTION ITEM 4A - Board Approval of (CR 101) for Rules to Implement 2015 Alcohol Legislation

Karen McCall, Agency Rules Coordinator, began the briefing with materials (HANDOUTS 4A 1-2). She provided background noting that this rulemaking is the result of 2015 legislation. New rules and revisions to current rules are needed to implement the following legislation:

- HB 1004 Alcohol Tasting by Students
- HB 1342 Microbrewery Sale of Cider
- ESSHB 1807 Small Businesses Selling Spirits
- SSB 5280 Beer and cider Growlers in Grocery Stores

- E2SSB 5353 Allowances for WA Distilleries
- SSB 5504 Liquor Stocking by Distributors
- SSB 5596 Winery Special Permit

Timeline

July 15, 2015 Board is asked to approve filing the pre-proposal statement of inquiry (CR 101)
 August 5, 2015 Code Reviser publishes notice and LCB sends notice to rules distribution list
 Sept. 1, 2015 End of written comment period
 Sept. 9, 2015 Board is asked to approve filing the proposed rules
 Oct. 7, 2015 Code Reviser publishes notice and LCB sends notice to rules distribution list
 Nov. 4, 2015 Public Hearing held
 Nov. 4, 2015 End of written comment period
 Nov. 18, 2015 Board is asked to adopt rules
 Nov. 18, 2015 Agency sends notice to those who commented
 Nov. 18, 2015 Agency files adopted rules with Code Reviser
 Dec. 19, 2015 Rules are effective 31 days after filing

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

MOTION: Member Hauge moved to approve the filing of the (CR 101) for Rules to Implement 2015 Alcohol Legislation.

SECOND: Member Kurose seconded.

ACTION: Motion passed unanimously.

ACTION ITEM 4B - Board Approval of (CR 101) for Rules to Implement 2015 Marijuana Legislation

Karen McCall, Agency Rules Coordinator, began the briefing with materials (HANDOUTS 4B 1-2). She provided background noting that this rulemaking is the result of 2015 legislation. E2SHB 2136, 2SSB 5052, and SB 5121 were passed during the legislative session. New rules and revisions to current rules are needed to implement these bills.

Timeline

July 15, 2015 Board is asked to approve filing the pre-proposal statement of inquiry (CR 101)
 Aug. 5, 2015 Code Reviser publishes notice and LCB sends notice to rules distribution list
 Aug. 15, 2015 End of written comment period
 Sept. 23, 2015 Board is asked to approve filing the proposed rules (CR 102 filing)
 Oct. 7, 2015 Code Reviser publishes notice and LCB sends notice to rules distribution list
 First week of Nov. First Public Hearing held (several public hearings will be held across the state)
 Nov. 1, 2015 End of written comment period
 Dec. 2, 2015 Board is asked to adopt rules
 Dec. 2, 2015 Agency sends notice to those who commented
 Dec. 2, 2015 Agency files adopted rules with the Code Reviser (CR 103)
 Jan. 2, 2015 Rules are effective 31 days after filing

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

MOTION: Member Hauge moved to approve the filing of (CR 101) for Rules to Implement 2015 Marijuana Legislation.

SECOND: Member Kurose seconded.

ACTION: Motion passed unanimously.

ACTION ITEM 4C - Board Adoption of Interim Policies to Implement 2015 Legislation

Karen McCall, Agency Rules Coordinator, began the briefing with materials (HANDOUTS 4C 1-4). She then provided a brief background on each of the four proposed interim policies:

1. Special Winery Permit

SSB 5596 created a winery permit for a manufacturer of wine. The permit becomes effective July 24, 2015. This interim policy will provide assistance and clarity to persons applying for the special winery permit until permanent rules can be adopted by the Board.

2. Special Distillery/Craft Distillery Permit

SSB 5353 created a distillery/craft distillery permit for a manufacturer of spirits. The permit becomes effective July 24, 2015. This interim policy will provide assistance and clarity to persons applying for the special distillery/craft distillery permit until permanent rules can be adopted by the Board.

3. Beer and Cider Growler Sales in Grocery Stores

SSB 5280 created an endorsement for grocery store licensees to allow the sale of beer and cider growlers for off-premises consumption. The bill becomes effective July 24, 2015. This interim policy will provide assistance and clarity to persons applying for the endorsement until permanent rules can be adopted by the Board.

4. Spirits Retailer Licenses

ESSHB 1807 created changes in the way spirits retailers authorized to sell spirits for off premises consumption can order and have spirits delivered by a distributor. The bill becomes effective July 24, 2015. This interim policy will provide assistance and clarity to spirits retail licensees and distributors until permanent rules can be adopted by the Board.

Ms. McCall then requested approval from the Board to adopt the interim policies.

MOTION: Member Kurose moved adoption of Interim Policies to Implement 2015 Legislation.

SECOND: Member Hauge seconded.

ACTION: Motion passed unanimously.

ACTION ITEM 4D - Board Approval to File (CR 101) for Non-Profit Arts Organization License Rules

Karen McCall, Agency Rules Coordinator, began the briefing with materials (HANDOUTS 4D 1-2). She provided background noting that this rulemaking is due to a petition for rulemaking submitted by Carol Miller, Attorney, representing licensees who hold the nonprofit arts organization license. The Board approved moving forward with rulemaking at an earlier board meeting. The licensees would like to allow alcohol consumption in the seating area of the theater during performances. The law does not specifically prohibit alcohol consumption in the seating area. The prohibition is in rule and can be revised.

Timeline

July 15, 2015 Board is asked to approve filing the pre-proposal statement of inquiry (CR 101)
Aug. 5, 2015 Code Reviser publishes notice and LCB sends notice to rules distribution list
Sept. 1, 2015 End of written comment period
Sept. 9, 2015 Board is asked to approve filing the proposed rules (CR 102 filing)
Oct. 7, 2015 Code Reviser publishes notice and LCB sends notice to rules distribution list
Nov. 4, 2015 Public Hearing held
Nov. 4, 2015 End of written comment period
Nov. 18, 2015 Board is asked to adopt rules
Nov. 18, 2015 Agency sends notice to those who commented
Nov. 18, 2015 Agency files adopted rules with the Code Reviser (CR 103)
Dec. 19, 2015 Rules are effective 31 days after filing

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

MOTION: Member Kurose moved approval to file the (CR 101) for Non-Profit Arts Organization License Rules.

SECOND: Member Hauge seconded.

ACTION: Motion passed unanimously.

ACTION ITEM 4E - Board Approval for Interim Policy for Non-Profit Arts Organization License

Karen McCall, Agency Rules Coordinator, began the briefing with materials (HANDOUT 4E 1). She provided a brief background noting that this interim policy is the result of a petition for rulemaking from a group of non-profit arts organization licensees. They are requesting permission to have alcohol consumption in their seating areas during performances. WAC 314-02-090 will be revised to allow this activity.

Ms. McCall then requested approval from the Board o interim policy.

MOTION: Member Kurose moved approval of Interim Policy for Non-Profit Arts Organization License.

SECOND: Member Hauge seconded.

ACTION: Motion passed unanimously.

ACTION ITEM 4F - Board Approval to File Supplemental (CR 102) for Fair Trade Practices

Karen McCall, Agency Rules Coordinator, began the briefing with materials (HANDOUTS 4F 1-2). She provided a brief background noting that this supplemental CR 102 is the result of revisions to the proposed rules filed with the Code Reviser's Office on December 17, 2014. Michael Cho, Washington Liquor Store Association, petitioned the Board for rulemaking to clarify RCW 66.28.170. The Board currently has Advisory No. 2012-02 on the website that clarifies this statute but wishes to place it current view of pricing issues in a new section in Chapter 314-23 WAC.

The Board held a work session on Fair Trade Practices on September 11, 2013, to hear comment from stakeholders on these issues. A public hearing on the proposed rules was held on April 23, 2014 where stakeholders provided testimony and written comments on the proposed rule language. On May 14, 2014, the Board gave their approval for the rules coordinator to draft revised proposed rules for Fair Trade Practices to bring back to the Board at a later date. On June 4, 2014, the rules coordinator filed a supplemental CR 102 with the Code Reviser's Office.

On July 23, 2014, the rules coordinator posted a Small Business Economic Impact Survey with supplemental proposed rules for fair trade practices on the Liquor Control Board website. An email was sent to all stakeholders on the rules distribution list requesting they complete the survey and return to the board by August 8, 2014. Washington Restaurant Association requested the Board accept responses to the survey until August 24, 2014, and the Board agreed to do so. On December 17, 2014, the rules coordinator filed a second supplemental CR 102 including the small business economic statement with the code Reviser's Office. A public hearing was held on February 11, 2015.

A new Board Chair and new Board member started in February, 2015. The Board members have spent time reviewing all of the comments and documentation received for this rulemaking and requested changes to the rules that were proposed on December 17, 2014.

Ms. McCall stated that she would like to take this time to acknowledge her respect for the Board members on this issue. She commended the Board members for taking the time to fully educate themselves on this particular rule making. They took the time to read all the materials and meet with stakeholders. Their time and commitment are the result of the changes that in the proposed rules.

Timeline

July 15, 2015	Board is asked to approve filing the revised proposed rules (Supplemental CR 102 filing)
Aug. 5, 2015	Code Reviser publishes notice and LCB sends notice to rules distribution list
Aug. 26, 2015	Public hearing held
Aug. 26, 2015	End of written comment period
Sept. 9, 2015	Board is asked to adopt rules
Sept. 9, 2015	Agency sends notice to those who commented
Sept. 9, 2015	Agency files adopted rules with the Code Reviser (CR 103)
Oct. 10, 2015	Rules are effective (31 days after filing)

Ms. McCall then requested approval from the Board to Approval to file Supplemental CR 102 in Chapter 314-23 WAC to clarify RCW 66.28.170 - Discrimination in price to purchaser for resale prohibited - Price differentials.

MOTION: Member Hauge moved to approve the filing of the Supplemental (CR 102) for Fair Trade Practices.

SECOND: Member Kurose seconded.

ACTION: Motion passed unanimously.

5. EMPLOYEE ANNOUNCEMENTS

State Service Recognitions - Mike Kashmar, Chief Financial Officer Presented

Mr. Kashmar recognized Ms. Pamela Valencia, General Ledger Manager, for 20 years of dedicated public service. He noted that Pam began state service with the Department of Retirement Systems in accounting in June 1995. She promoted to a Fiscal Analyst September 1997. In February 2003 she went to Office of Financial Management, as a Financial Consultant (started as a 1 and promoted progressively to Senior Consultant). She started with the Liquor Control Board as a Fiscal Analyst 5 in May 2013 and currently services as the Accounting Manager. Pam graduated from Pacific Lutheran University with a degree in Business Administration/Accounting in 1994. When not working, Pam spends her time attending car shows, watching NASCAR, gardening, hiking, and weekends at her beach house on the coast of Washington.

State Service Recognitions - Mike Kashmar, Chief Financial Officer Presented

Mr. Kashmar recognized Ms. Yun Kim, Fiscal Analyst, for 15 years of dedicated public service. He noted that she started with the Liquor Control Board in May 2000 as a Customer Service Representative. She promoted to a Licensing Specialist in July 2003 and then promoted to Fiscal Analyst 1, November 2014. She serves as our Korean interpreter for the Licensing and Enforcement Divisions. Christina graduated from University of Washington with a degree in Geography in 1995. Christina went onto South Puget Sound Community College from 2013-2014 to earn Accounting credits. In her free time she likes to golf, travel, and hike. Some of her favorite places are Mt. Baker and Mt. Rainier.

6. ADDITIONAL BUSINESS

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

Jan Gee, President - Washington Food Industry Association

Ms. Gee stated that she and Karen McCall have discussed her request to reconsider the language about requiring growlers behind a counter. Jan expressed a sense of urgency to this request because Town and Country Store in Bainbridge is having a soft opening on August 2nd and has invested a large amount of money building a growler station that is not behind a counter. The taps have locking mechanisms on them and an employee is in control of the key. She suggested adding language that would allow tap stations with locking mechanisms that are secured when not directly supervised by an employee that holds a Class 12 alcohol server permit. This would allow the open stations with all taps locked and only operate when the employee is there to unlock the tap. We feel this is very secure for the consuming public and would appreciate your consideration.

Director Rick Garza wanted to confirm with Ms. Gee that the current law does not require what we are proposing in rule. She confirmed that it does not. Karen will bring back the new language to the Board on July 29 for the change.

Josh McDonald, Executive Director - Washington Wine Institute

Stated he would like to make two comments: Noted that they worked the Special Permit bill through legislature for wineries to take wine off their premises. This is a tremendous new tool. They worked very

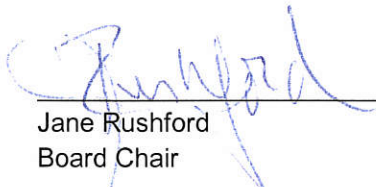
collaboratively with LCB on the hill and in the office to make this something that works for serving the state responsibly and helping our Washington wine industry grow.

I'd also like to extend our gratitude to you and your staff for working very hard on the channel pricing conversation and specifically around recognizing the difference between on-premises and off-premises markets for wine. It is tremendously important that this is being recognized and we want to extend our gratitude to thank you and to Karen and your staff for your willingness to recognize it.

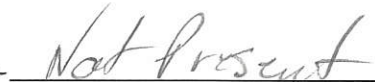
ADJOURN

Chair Rushford adjourned the meeting at 10:45.

Minutes approved this 29th day of July, 2015


Jane Rushford
Board Chair


Ruthann Kurose
Board Member


Russell Hauge
Board Member

Minutes prepared by: Cindy Doughty, Board Administrative Assistant

LCB Mission - Promote public safety and trust through fair administration and enforcement of liquor, tobacco and marijuana laws.

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