



Washington State Liquor and Cannabis Board Meeting

Wednesday, December 18, 2024, 10:00 am
This meeting was held in a hybrid environment

Meeting Minutes

1. CALL TO ORDER

Chair Jim Vollendroff called the regular meeting of the Washington State Liquor and Cannabis Board to order at 10:00 am on Wednesday, December 18, 2024. Member Ollie Garrett was also present.

2. APPROVAL OF MEETING MINUTES

Member Garrett made a motion to approve the November 19 & 26, 2024, Board Caucus Minutes, the November 20, 2024, Board Meeting Minutes, and the November 13, 2024, EMT Meeting Minutes. Chair Vollendroff seconded. The motion was approved unanimously.

Member Garrett announced that Member Vollendroff has been appointed by Governor Inslee to be the Board Chair. Vollendroff will complete the term of former Chair Postman, which expires in January 2027.

Chair Vollendroff took a moment to thank Governor Inslee and incoming Governor Ferguson for their support.

3. ALCOHOL RELATED RULEMAKING

ACTION ITEM 3A – Board Adoption of CR 103 for Implementation of House Bill 2204 Emergency Liquor Permits

Daniel Jacobs, Acting Policy and Rules Manager

Daniel Jacobs began with two quick rulemaking updates of other matters, the first regarding the THC bill. The THC bill stated that the LCB would post a list of non-THC cannabinoids, and that list has now been posted. It can be located on both the “Current Laws and Rules” webpage, and the “Recently Adopted Rules” webpage.

The second item noted is that last week the team received three rulemaking petitions and all three will be presented at the January 29, 2025, Board meeting.

Daniel continued the briefing with materials (HANDOUT 3A) and summarized the background, stakeholder engagement, and staff activities that have led to the Director’s Office requesting approval of the CR 103 to implement HB 2204 which authorizes the LCB to issue emergency liquor permits to liquor

manufacturers when they are unable to access their premises or operate due to an emergency or road closure.

Member Garrett made a motion to approve the adoption CR 103 for implementation of HB 2204, Emergency Liquor Permits. Chair Vollendroff seconded. The motion was approved unanimously.

4. CANNABIS RELATED RULEMAKING

ACTION ITEM 4A – Rules Petition Review and Consideration Requesting to Amend WAC 314-55-082(2) to Explicitly Allow Use of Captive Insurance Companies

Daniel Jacobs, Acting Policy and Rules Manager

Daniel began the briefing with materials (HANDOUT 4A) and provided background regarding the petition filed on October 31, 2024, by Chris Payne on behalf of CLIC Risk Retention Group, Inc. The petition asks to provide clarity on an alleged ambiguity in WAC 314-55-082 and proposes to resolve this ambiguity through rulemaking that would expressly permit the use of captive insurers, or a declaratory statement that the use of captive insurers does not violate WAC 314-55-082.

A captive insurer is an insurance company that is “wholly or partially owned by the insured,” and in this case, the “insured” would be a cannabis licensee. However, the Legislature made clear in creating RCW 48.201 that it did not intend to have captive insurers domiciled in Washington. This could be a problem because RCW 69.50.331(1)(b) requires all members of an entity that has a cannabis licensee to be Washington residents, and thus, a cannabis licensee with a subsidiary captive insurer would need to be both domiciled in another jurisdiction and licensed as a captive insurer in that jurisdiction, and simultaneously satisfy Washington residency requirements. It is not immediately apparent how both could be satisfied, and accepting a rulemaking petition to examine this would require intense inter-agency collaboration on a highly complex rule project.

The Director’s Office recommends the Board deny the petition to amend WAC 314-55-082 to address whether captive insurers can be used to satisfy the insurance requirements for cannabis licensees, for the following reasons: The use of captive insurance in Washington state is itself a complicated area of regulation, and its intersection with cannabis laws and regulations is even more complex. Rulemaking would require intense collaboration with the Office of Insurance Commissioner (OIC). The Board has not heard of public concern regarding the availability of insurance in recent years to insure cannabis licensees. There are current ongoing resource constraints, both related to staffing and finances. The legislative session is about to start. There are several petitions for rulemaking that were accepted that are awaiting formal rulemaking. Denying the petition for rulemaking at this time does not preclude the Board from examining this topic in the future.

Member Garrett made a motion accept the recommendation of the Director’s Office and deny the petition. Chair Vollendroff seconded. The motion was approved unanimously.

ACTION ITEM 4B – Board Withdrawal of CR 101 for Employee Stock Ownership Plan (ESOP)

Daniel Jacobs, Acting Policy and Rules Manager

Daniel began the briefing with materials (HANDOUT 4B) and reviewed the process leading to the current recommendation. The Board accepted a petition for rulemaking from Washington Cannabisbusiness Association (WACA) in May to consider amending rules to explicitly allow ESOPs as part of the ownership

structure for cannabis licensees. The petition response was complicated and there were substantial internal divisional concerns raised around accepting the petition. There are several statutes and existing rules that would have to be addressed including related to residency requirements, financial interests, and true parties of interest. The CR 101 on this project was filed in October, and the project team has held several meetings. It became increasingly clear that LCB would not be able to address this issue via rulemaking, so the Director's Office recommends approving the withdrawal of the CR 101 on ESOP rulemaking related to cannabis licensees.

Member Garrett made a motion approve the withdrawal of the CR 101 for the Employee Stock Ownership Plan. Chair Vollendroff seconded. The motion was approved unanimously.

**ACTION ITEM 4C – Board Adoption of CR 103 Implementation of Engrossed Second Substitute Senate Bill (E2SSB) 5080 Expanding and Improving the Social Equity in Cannabis Program
Justin Nordhorn, Policy and External Affairs Director**

Justin Nordhorn began the briefing with materials (HANDOUT 4C) and provided an abbreviated background and noted that the October 23rd presentation is available for viewing on the website. This rulemaking was initiated to implement Engrossed Second Substitute Senate Bill 5080 related to expanding and improving the Social Equity in Cannabis program. The legislation builds upon existing efforts to address the disparities and injustices caused by the war on drugs, particularly in communities disproportionately impacted by cannabis prohibition and enforcement.

The scope of the rulemaking under the legislation includes expanding the eligibility criteria to encompass a broader range of individuals impacted by the war on drugs, refining the application process to be more inclusive and accessible, and improving the verification methods for eligibility. This includes a clear framework for ownership and control and implementing measures to verify the eligibility of applicants. The rules also establish guidelines for using affidavits and other documentation and address statewide mobility implementation.

Nordhorn summarized the rule development process, including the CR 101 filed on November 8th, a survey of initial applicants, contracting with Whitney Economics to provide information on thresholds for types of licenses by county, stakeholder engagement sessions, and draft rules that were publicly shared in order to receive feedback. A public hearing was held for the CR 102 draft rules and in response to the public comments a supplemental rule proposal was requested (CR 102) and approved.

The Director's Office requests that the Board approve the CR 103 for Social Equity in Cannabis.

Member Garrett moved to adopt the CR 103. Chair Vollendroff seconded. The motion was approved unanimously.

6. GENERAL PUBLIC COMMENT

Chair Vollendroff invited citizens to address the Board regarding any issues related to LCB business. The Board heard from the following people:

Christopher King

David Rose

Peter Manning

Gregory Foster
Paul Brice
Sami Saad

For full detail of public comment, the meeting recording is available on the LCB website.

7. ADJOURN

Chair Vollendroff asked Member Garrett to share a bit of the history of the social equity program. Garrett summarized events and activities that led to House Bill 2870 being passed in 2020, which established a Marijuana Social Equity Program and created the Marijuana Social Equity Task Force. The Task Force, stakeholders, and LCB staff worked together which ultimately resulted in the passage of Engrossed Second Substitute Senate Bill 5080 expanding and improving the Social Equity in Cannabis Program.

Chair Vollendroff adjourned the meeting at 10:59 am

Minutes approved this 29th day of January 2025



Jim Vollendroff
Board Chair



Ollie Garrett
Board Member

abstain

Pete Holmes
Board Member

Minutes prepared by: Deborah Soper, Administrative Assistant to the Board

*Complete meeting packets are available online: http://lcb.wa.gov/boardmeetings/board_meetings
For questions about agendas or meeting materials you may email gretchen.frost@lcb.wa.gov or call 360.664.1656*

LCB Mission - Promote public safety, public health, and trust through fair administration, education, and enforcement of liquor, cannabis, tobacco, and vapor laws.