



Washington State
Liquor and Cannabis Board

Annual Report

Fiscal Year 2020



lcb.wa.gov

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In FY 2020, the LCB received the “Yes Vets” recognition award for the fifth consecutive year. The Washington State Department of Veterans Affairs each year recognizes agencies that hire U.S Veterans above state targets and are proud employers of U.S. Veterans.

Contact Information

General Information	(360) 664-1600
Board Office	(360) 664-1717
Director’s Office	(360) 664-1752
Enforcement and Education	(360) 664-1731
Licensing and Regulation	(360) 664-1718
Human Resources	(360) 664-1785
Information Technology	(360) 664-1744
Finance	(360) 664-1766



Washington State Liquor and Cannabis Board

1025 Union Avenue SE
Olympia, WA 98504
(360) 664-1600 • lcb.wa.gov

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Message from the Board

December 2020

Dear Residents of Washington State,

We are proud to present the Fiscal Year 2020 Liquor and Cannabis Board (LCB) Annual Report. This overview provides summaries of the agency's accomplishments and operations throughout Fiscal Year 2020 (July 1, 2019 – June 30, 2020).

Highlights of Fiscal Year 2020 - By most measures, 2020 has been a year of unprecedented challenges. Since the onset of COVID-19 restrictions and demands, the LCB has been engaged expanding and improving our engagements with prospective and current licensees as well as providing allowances for the industries we regulate to help them weather the many demands imposed by contact restrictions.

COVID-19 - Coming in at the tail end of the third quarter of the FY 2019, COVID-19 and its severe impact on the hospitality industry necessitated immediate policy considerations. In March, Gov. Inslee issued his Stay Home, Stay Healthy order which closed liquor-licensed businesses and sent LCB employees home for what will eventually be at least 15 months of telework. Throughout this period the LCB moved quickly on industry requests for allowances to help them continue doing business despite restrictions within the Governor's order. The LCB is currently analyzing each allowance to decide if any temporary allowances should be extended or become permanent.

Public Health and Safety - The agency's Public Health and Education Liaison led the agency's coordinated partnerships to address a national public health emergency surrounding vaping. Due to the outbreak of vaping-associated lung injury (VALI) in late summer 2019 and beyond, this program took an active role in emergent policy and communications work in close collaboration with the Department of Health and the Governor's Office to protect consumer safety. The team encourages their prevention partners to communicate with the team and local legislators and to participate in the agency's rulemaking process.

Social Equity in the Cannabis Industry - A key element of the Board's vision for the future of cannabis regulation, Cannabis 2.0, is increasing the diversity within the industry. Initiative 502 missed an opportunity to ensure industry representation by those disproportionately harmed by the war on drugs: persons of color. This year, the LCB requested legislation to help address social equity, which later this fiscal year became law. The new state law (E2SHB 2870) creates pathways for those disproportionately harmed by the war on drugs to potentially gain a license for retailing cannabis. The new law created a Social Equity Task Force which will later inform the LCB of the criteria for issuing additional cannabis retail licenses to those in communities adversely impacted for far too long.

Enforcement Review - The Board continues to make progress on the recommendations provided by the independent review of the agency's Enforcement and Education efforts. One key theme that the agency acted upon was to "reorganize the organization to enhance consistency and clarity." Essentially, the review recommended that agency decisions be centralized and communicated clearly internally to LCB staff and externally to licensees. In late Fiscal Year 2020, the agency established the Legal and Policy Team within the Director's Office. This team is the central body for capturing and communicating agency decisions to all the industries LCB regulates. This move assures greater capacity to better communicate agency decisions and promote fairness and understanding with our licensees.

These are some examples of the of the agency's efforts in 2020. Our greatest commitment continues to be keeping our communities and families safe.

Sincerely,



Jane Rushford
Board Chair



Ollie Garrett
Board Member



Russ Hauge
Board Member



Rick Garza
Director

Jane Rushford, Board Chair

Jane Rushford was appointed by Governor Jay Inslee in January 2015. Her commitment to collaboration and transparency has been recognized throughout her years of state service in executive capacities at the departments of Enterprise Services, General Administration, and Natural Resources. She also served as a staff administrator at the state House of Representatives and began her state career in the legislative and federal documents section of the Washington State Library.

Jane is the recipient of several significant awards including the Governor's Award for Leadership in Management, Commissioner of Public Lands Award for Contributions to the Health of Washington's Natural Resources and Governor Gregoire's Award for Community Partnership. She has also contributed to the work or boards of several non-profit organizations, including Girl Scouts of Western Washington, Boys and Girls Club/SMART Girls Program, and The Evergreen State College Board of Governors.



Ollie Garrett, Board Member

Ollie A. Garrett, of Kirkland, was appointed to the Liquor and Cannabis Board in August 15, 2016. She is president and CEO of PMT Solutions, a Bellevue-based collection company that provides comprehensive check collection and receivable management services for businesses.

Garrett is serving her fifth term as President of Tabor 100, an association working to further economic power, educational excellence and social equity for African-Americans and the community at large. Garrett is an at-large appointee of the King County Civil Rights Commission, co-chair of the Office of Minority and Women's Business Enterprises and an appointed board member of the Washington State Community Economic Revitalization Board, the Employment Security Advisory Board and the Washington Economic Development Finance Authority. She is also a member of the Rainier Vista Boys & Girls Club Advisory Board.



Russ Hauge, Board Member

Russ Hauge, of Kitsap County, was appointed to the Board in February 2015. Prior to joining the Board, he spent 33 years as a practicing lawyer. In his early career, he worked 10 years in a small Port Orchard law firm representing individuals and businesses. He was first elected Kitsap County's Prosecuting Attorney in 1994 and held that position until Dec. 31, 2014.

As Kitsap County's prosecutor, Russ was a member of the Washington Association of Prosecuting Attorneys (WAPA). He has served as WAPA's President, chair of its Legislative Committee, and as its representative on the State Sentencing Guidelines Commission, the Supreme Court's Minority and Justice Commission, the Sex Offender Policy Board, and the Washington Partnership Council on Juvenile Justice. Most recently, Russ served as a Senior Policy Advisor at the Justice Center of the Council of State Governments and has been appointed to serve as the chair of Washington's Sentencing Guidelines Commission.

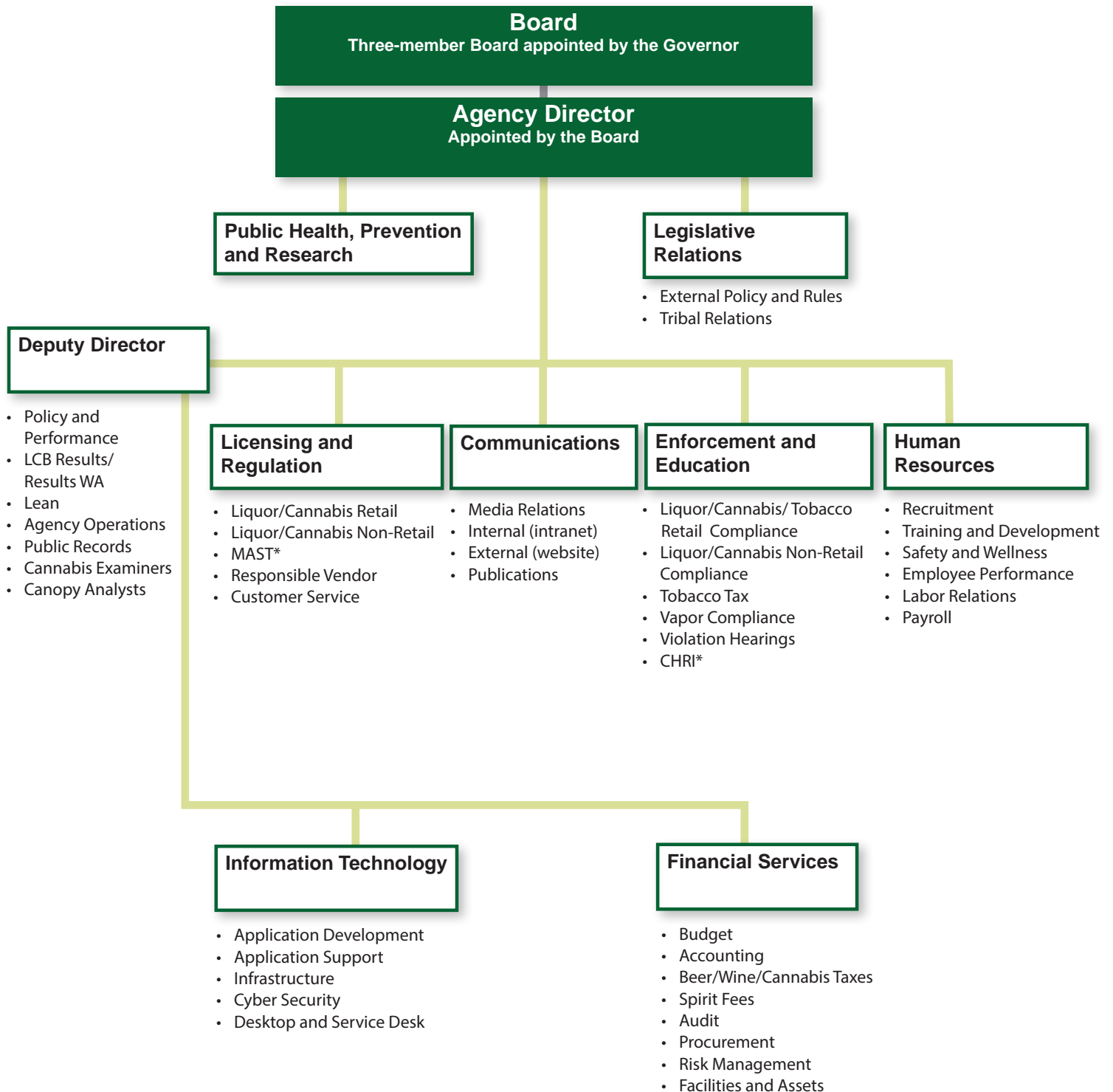


Rick Garza, Director

Rick Garza has been with the Liquor and Cannabis Board since 1997. During Rick's career with WSLCB he has also held the positions of Legislative and Tribal Liaison, Policy Director, and Deputy Director. Prior to joining the LCB, Rick served 13 years as a staff member for the Washington State Legislature, including five years with the Washington State Senate and eight years with the state House. His legislative assignments included Policy Analyst in the state Senate, House of Representatives Staff Director, and adviser to House and Senate leadership.



Organizational Structure



*MAST: Mandatory Alcohol Server Training
*CHRI: Criminal History Records Information

Enforcement and Education Division

The Enforcement and Education Division is responsible for educating licensees and enforcing state law as it pertains to liquor, tobacco, vapor and cannabis products to promote public safety. Officers also provide support and consultation to communities and local law enforcement agencies.

FY 2020 Staffing Chart

179	Staff
1	Chief
2	Deputy Chief
1	Commander
6	Captains
24	Lieutenants
114	Officers
1	Evidence Coordinator
1	Hearing Officer
1	Management Analyst
1	Program Manager
2	Criminal Records Coordinator
12	Support Staff
3	Investigative Aides
1	FDA Supervisor
1	FDA Program Specialist
8	FDA Inspectors

The Enforcement and Education Division is tasked with helping licensees understand and comply with the complex rules and laws associated with running a business. If a business violates a law, officers consider the totality of the circumstances and determine an appropriate course of action to correct non-compliance. Those courses include providing education about the violation to ensure understanding and future compliance with the rule or law, issuing warning or administrative violation notices, or in more serious circumstances, issuing criminal citations. Administrative violation notices

can result in a fine, temporary license suspension, or both.

The Board may also impose an emergency suspension for significant public safety issues, resulting in a license suspension of up to 180 days. In cases of repeated violations, a license can be permanently revoked by the Board.

An independent review, the Hillard Heintze Assessment, brought about many changes which have begun or been fully implemented this year. The changes include:

- Updated all division policies to emphasize educational support of licensees;
- Updated the training plan and manual to further promote the importance of educational support of licensees and de-escalation training;
- Began modifying the apparel and dress requirements for division personnel;
- Worked with Human Resources to construct a complaint intake prominently located on the agency website and updated the Administrative Investigation Policy for the agency related to complaints against employees;
- Began work to transition half of the armed Cannabis Officer positions to unarmed Compliance Consultants whose main task is licensee education rather than enforcement and;
- Created a survey used for licensees entitled, "Did you know?" which is used to share perspectives of licensees with Enforcement and Education personnel.

Enforcement and Education

FY 2020 Key Enforcement and Education Activities

	FY 2020*	FY 2019	% Change
Educational hours	4,204	3,010	39.67%
Number of people receiving education	31,192	27,427	13.73%
Online responsible sales classes	751	1,203	-37.57%
Licensee support visits	15,520	8,650	79.42%
COVID-19 license support visits	4,401	NA	NA
Liquor premises checks	41,246	27,508	6.47%
Tobacco premises checks	5,529	4,405	15.2%
Cannabis premises checks	4,044	4,647	-12.98%
Vape premises checks	5,141	1,780	201.00%
Liquor compliance checks	2,497	3,170	-22.23%
Tobacco/vape compliance checks	1,241	1,735	-28.47%
Cannabis compliance checks	603	1,289	-53.22%
Complaint investigations	12,492	2,312	440.3%

* 2020's activity is affected by COVID restrictions and the resulting activity should be viewed through that lens

Liquor Unit

The Liquor Unit is divided into three regional areas throughout Washington (Northwest, Southwest, East). Using a balanced approach of education and enforcement that begins when an establishment opens, the Unit strives to protect and serve the public by ensuring legal and responsible sales at retail businesses. The Unit offers a Responsible Vendor program providing technical assistance, and education to participating licensees. A regional retail group primarily focuses on youth access, over-service, and conduct issues. Retail officers carry out enforcement operations such as compliance checks, undercover operations, complaint investigations, and premises checks. Compliance checks verify compliance for selling age-restricted products at liquor-licensed businesses. Undercover operations allow officers to observe normal business operations. Officers investigate complaints for allegations of liquor-related violations. Premises checks are conducted to verify a licensee's business operation is in compliance. Retail officers conduct technical assistance visits to educate licensees on state

liquor laws and rules and make themselves available for licensee questions.

The unit also includes the Manufacturers, Importers and Wholesalers (MIW) workgroup. To increase public safety, the MIW workgroup works directly with industry members by assisting with final inspections, providing education, and investigating industry-related complaints to verify compliance.

Liquor Unit	Officers
Northwest	29
Southwest	27
East	18
MIW	7

Cannabis Unit

The Cannabis Education and Enforcement Unit team is made up of 42 commissioned staff who regulate licensed producers, processors, and retailers. The unit strives to protect and serve the public by ensuring the legal and responsible sale of

Enforcement and Education

cannabis at retail businesses. They concentrate on youth access, conduct, pesticide use, and license integrity issues. The Unit's focus is the inspection of license applicants, specific education for new licensees, ongoing education for all licensees, security and traceability system compliance and ensuring licensed operations are conducted by the true party of interest.

With the passage of ESSB 5318 and the Hillard Heintze recommendations, the Cannabis Unit responded with an emphasis on educating the industry. Officers participated in "Listen and Learn" forums to assist in their understanding of the industry's needs and helping in the rulemaking process. There has also been an emphasis on educating the officers and joint training session with the LCB Licensing and Regulation Division to create consistent interpretation and explanations of law, rules and policy. The team continues to adjust to the ongoing dynamics of the industry.

Officers are empowered to determine an appropriate course of action to correct non-compliance, which can include a notice to correct procedure, issuing warning notices, administrative violation notices, and/or criminal citations. Administrative violation notices can result in a fine, temporary license suspension or both. During this last year, the agency revised the enforcement penalty guidelines to be less punitive with an emphasis on education and voluntary compliance. Additionally, the Notice to Correct process with accompanying rules were implemented in order to encourage voluntary compliance.

Cannabis Unit	Officers
Northwest	42

Tobacco Tax Unit

The LCB Tobacco Tax unit has 14 commissioned, full-time employees. This dedicated unit pursues strategies to reduce smuggled, contraband, and otherwise untaxed cigarette and tobacco products

in the state. Since the Tobacco Tax Unit was reinstated in 2015, the Unit has referred over \$55 million to the Department of Revenue for review and collection of unpaid tobacco taxes.

The Unit also maintains state and federal partnerships, including two tobacco tax federal task force members. The unit educates wholesalers, distributors, and retail licensees on tobacco laws and rules.

Tobacco Tax Unit	Officers
Statewide Unit (6,083 Licensees)	13

Vapor Unit

The Vapor Unit has five commissioned, full-time employees. The purpose of the Unit is to enforce laws, provide Washington residents with consumer protection, increase child safety, and eliminate youth access. The team also conducts internet enforcement and helps ensure vapor licensing requirements are met. The Unit educates vapor product retailers, distributors, wholesalers, and delivery sales licensees on vapor laws and rules.

On October 19, 2019, based on a Governor's Executive Order, the State Board of Health implemented a 120-day ban of all flavored vapor products in the state. The Governor's Order also directed the Department of Health and the LCB to draft legislative proposals to bring tighter regulation to the non-cannabis vapor industry. The LCB officers were tasked with educating and enforcing vapor licensees on the Governor's Executive Order and Board of Health ban. This resulted in conducting 3,511 premises checks, delivering educational information and providing over 600 hours of education to licensees and their employees.

Vapor Unit	Officers
Statewide Unit (3,756 Licensees)	5

Enforcement and Education

Food and Drug Administration (FDA) Tobacco Inspections

The FDA re-awarded the LCB a tobacco inspection contract. Under federal authority, the LCB conducts tobacco inspections aimed at federal regulation of the manufacture, distribution, and marketing of tobacco products to protect public health.

The FDA Tobacco Inspection Program is comprised of 10 staff who maintain FDA-commission credentials and conduct tobacco inspections at licensed tobacco retailers in the state. Due to the COVID-19 pandemic, the FDA issued a stop work order on March 19, 2020.* The Unit's work contractually shifted to the Employment Security Department (ESD) to assist with the high demand on the state unemployment claims system and the ESD hiring process.

FDA

3,772 inspections conducted in 8.5 month period

426 violation referrals to FDA for sales to minors

Evidence Unit

The Evidence Unit consists of one Evidence Custodian who handles all evidence brought into the system statewide and handles it in compliance with Washington State law or rule. This includes the ultimate final disposition of the items of evidence which can include destruction of the evidence due to the illegal nature of the product or item. Once due process is provided to the owner of product taken into evidence, if its determined the product can't be returned to the original owner, it is destroyed by incineration at a licensed facility. Of the 14,720 pounds which were incinerated during FY 2020, about 7,000 pounds were the result of an Emergency Suspension and ultimate license cancellation, 1,600 pounds were related to unlicensed growing, and 1,100 pounds were related to traceability violations.

Evidence Items in FY 2020

Count

Evidence Items in FY 2020	Count
Cases with evidence entered into the system	250
*Plants	10,315
*Flower, shake, Keef	2174 lbs
*Oil	127 lbs
*Infused product	71 lbs
Pesticide-related cannabis received	340 plants
Pesticide samples collected	499
Cannabis sent for destruction (incinerator)	14,720 lbs

**Marijuana received into evidence*



Cannabis readied for destruction at the Spokane Incinerator.

Hearings Unit

The Hearings Unit manages the Alternative Dispute Resolution (ADR) process for the LCB, which affords licensees the opportunity to discuss and possibly mitigate penalties under recent liquor, cannabis, or tobacco violations. Mitigations involve a wide range of possibilities, but one often-used mitigation includes the licensee demonstrating they have purchased technology

as a result of the Violation Notice to verify customer age in order to minimize underage sales. In addition to transitioning cases to the formal hearing process, this team of two collaborates closely with officers, lieutenants, and captains of the division to prepare cases for the ADR process.

Hearings

391 informal hearings conducted
40 cases forwarded to the Board for formal hearings

Training Unit

The Training Unit consists of two members tasked with providing specific training to officers within the division. This training is for new officers who require basic training at the Basic Law Enforcement Academy in Burien, and on-going, in-service, and refresher training on topics within the division. The Training Unit is an integral part of annual in-service training that brings the division together for four days of refresher training in September.



Officers in attendance at annual in-service training.

Significant Efforts During FY 2020

Youth Access

To ensure compliance and prevent sales of alcohol, cannabis, tobacco, and vapor products to persons under 21 years of age, officers focus on compliance checks at all locations with complaints, types of business with below average compliance rates, and general checks across the alcohol industry. Officers conduct premises checks and lead formal classes at many locations to support industry stakeholders with resources and education to ensure compliance. This program is a vital part of the agency's efforts to curb youth access and promote responsible sales and service. Due to the COVID-19 pandemic, conducting compliance checks was not possible. When the LCB received complaints from the public regarding sales of restricted products to minors, officers conducted surveillance, observing whether there were sales of vapor or tobacco products to persons under 21 years of age by licensed retailers.

Compliance Rates

FY	Liquor	Cannabis	Tobacco	Vapor
2020	87%	97%	92%	84%
2019	84%	96%	91%	87%
2018	81%	94%	89%	78%
2017	83%	93%	83%	73%

Notice to Correct

During the 2019 legislative year, legislation was passed to require the agency to develop a voluntary compliance program to provide advice and consultation for licensed cannabis businesses and their employees. This process is called the Notice to Correct and the agency developed rules related to this process and implemented the legislation in an effort to provide more non-punitive actions to bring licensees into compliance.

Enforcement and Education

COVID-19 Emergency Operations Center Complaints

During early 2020, the State Emergency Operations Center (EOC) opened to manage the state response to COVID-19. A significant part of this process involved the EOC receiving complaints from the public about businesses who carry a state license or certification who were allegedly not complying with state rules related to protecting employee and public health. The EOC sent the complaints to the applicable agencies for follow-up and enforcement. A significant effort was made by division personnel to follow up on these complaints about the operations of Liquor, Cannabis, Tobacco and Vapor-Product licensees.

Division-wide COVID-19 Efforts

# of complaints received	2,010
Hours of Education	812
Number of Contacts	12,123

Tobacco and Vapor 21

Effective January 1, 2020, the minimum age-of-sale for tobacco and vapor products increased to 21 years of age. This applied to all tobacco and vapor products, whether or not they contained nicotine. In partnership with the Department of Health, the LCB developed new signage and educational materials for licensees and the public. The LCB mailed the signs to licensees, which was complemented with officers conducting educational premises check visits.

Vapor Tax

October 2019, a tax on vapor products was passed by the Legislature. No additional funding was given to the WSLCB for vapor tax education and enforcement. Officers did complete three Vapor Audits at vapor retail premises. An inventory of vapor product was conducted and a review of the receipts. Officers discovered the taxes were not paid on the vapor product, and assessment reports were forwarded to the Department of Revenue for collection totaling \$16,767.64.

Focus on Education

Top Educational Topics FY 2020

Education is provided to licensees to assist them in navigating the rules that each business must function under and to increase public safety.

COVID-19	4,393
Youth Access	4,147
Education of Vapor-Licensed Premise	2,592
Over-Service	2,583
Regulatory Education	2,150



Licensing and Regulation Division

The Licensing and Regulation Division administers all licenses and permits for the sale, service, manufacturing, and distribution of alcohol and cannabis within the state of Washington. The division consists of nearly 70 employees and is the second largest division in the WSLCB.

Diversity, Equity and Inclusion

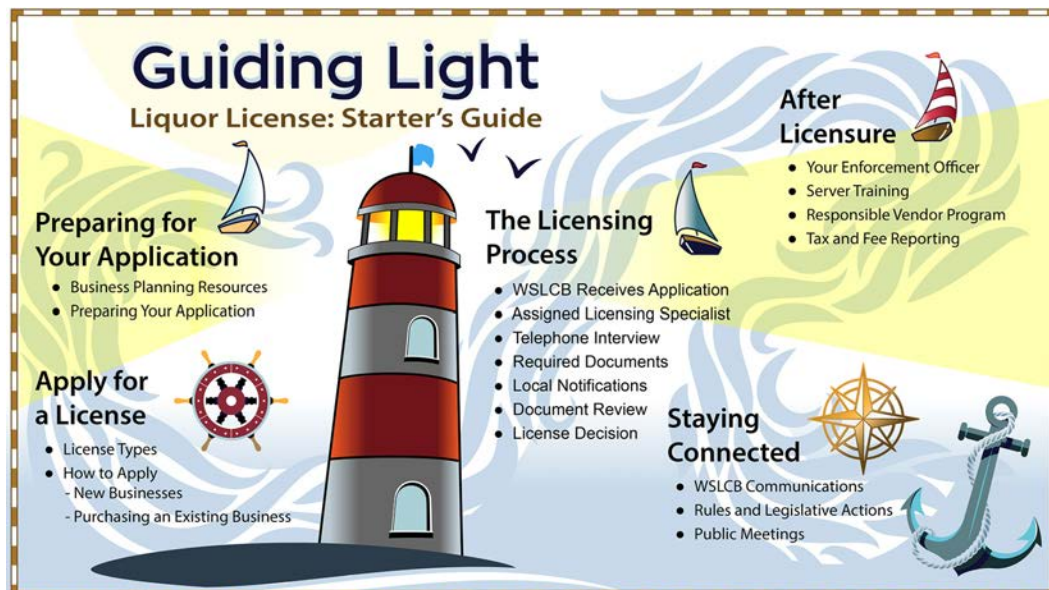
The Licensing and Regulation Division is committed to diversity, equity, and inclusion efforts, both internally and externally. In FY 2020, the division translated frequently used liquor and cannabis applications and licensing resources into Korean and Spanish. The division has interpretation services available for customers in over 15 languages and two bilingual employees to assist applicants through the licensing process.

Internally, the hiring process for new employees consists of a diverse interview panel to promote a workforce that encompasses diversity, innovation, and inclusiveness. Employees are also encouraged to participate in the statewide business resource

groups. These groups bring together employees across the state to increase the representation of a diverse workplace and provide strategies to advance employee leadership and retention.

Agency Design Challenge

The Licensing and Regulation Division participated in the Results Washington's Agency Design Challenge. The Design Challenge was based on human-centered design principles. The goal was to conceptualize how to improve customer experiences. The team focused on the liquor licensing process. Through in-person empathy interviews with licensees, they found that many new licensees were unclear about what to do, how to complete forms, and how to navigate through the licensing process. In response, the team engaged with licensees to create a starter's guide for new liquor license applicants. The guide was created to provide an overview of the licensing process, to include tips, quick links, and consolidated resources to help business owners navigate the licensing process. The team has further incorporated feedback by improving designs to forms and simplifying website content.



*Results Washington's Agency Design Challenge: Liquor License Starter's Guide.
This guide can be found on the WSLCB website.*

Licensing and Regulation

COVID-19 Pandemic Response

In response to the COVID-19 pandemic, in March 2020 the Licensing and Regulation Division transferred all employees to a remote working environment. The majority of the Division was new to remote working, requiring employees to adjust business processes and accommodate the new demands.

The Licensing Division received an increased workload as liquor and cannabis licensees modified their current operations. In an effort to respond to requests timely, the Division allocated staff resources from all units within the division to assist with workload demands. The Division also worked closely with local jurisdictions to expedite license alteration requests that developed or expanded outdoor seating areas to meet social distancing requirements.

Customer Service Unit

The Customer Service Unit supports the division by providing service to internal and external customers by answering phone calls and correspondence regarding state liquor and cannabis licensing protocols, rules and regulations. The unit responded to over 22,000 phone calls throughout the past year. The unit also supports the division by issuing licenses, permits, and license alteration requests. This fiscal year, the Customer Service Unit issued nearly 9,000 permits and special occasion licenses.

FY 2020 Permits and Special Occasion Licenses Issued

Special Occasions License	5,492
Raffle Permit	208
Agent's License	2,763
Other	895

Alteration Requests

The Customer Service Unit processes requests to alter physical premises for liquor license

establishments. As licensees responded to COVID-19 mandates, the number of alteration requests increased substantially, as the unit received nearly 700 alteration requests, a 60 percent increase from the previous year. On average, the unit approved alterations requests in 14 days.

Added Endorsement Requests

The unit processes requests to add endorsements to existing licenses. This year, over 450 added endorsement requests were received, and 50 percent of the requests were to add off-premises liquor sales to existing liquor licenses.

Liquor Licensing Unit

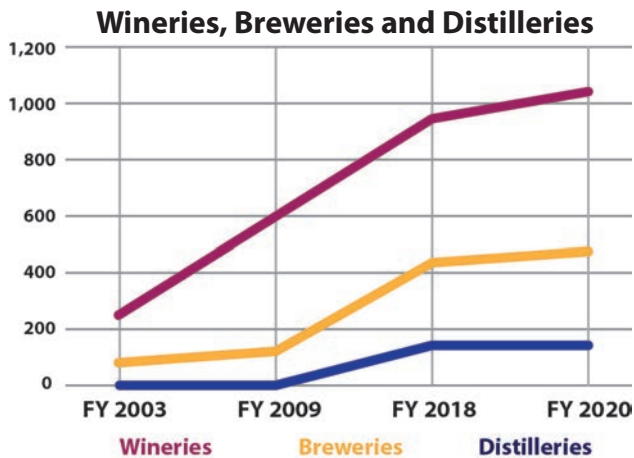
The Liquor Licensing Unit processes applications for retail establishments that sell alcohol for on-premises and off-premises consumption and non-retail establishments that manufacture, import, wholesale, and distribute alcohol products. The unit received nearly 2,500 applications for new liquor licenses and over 1,100 applications for changes to existing liquor licenses.

New Retail Liquor Licenses Issued	FY 2019	FY 2020
Beer and Wine Restaurants	402	346
Beer and Wine Specialty Shops	50	44
Catering	18	18
Grocery Stores	189	174
Hotels/Motels	22	18
Night Clubs	16	11
Spirits, Beer and Wine Restaurants	449	362
Sports Entertainment Facilities	8	4
Snack Bars	30	39
Spirit Retailers	16	11
Taverns	27	45
Theaters	7	10

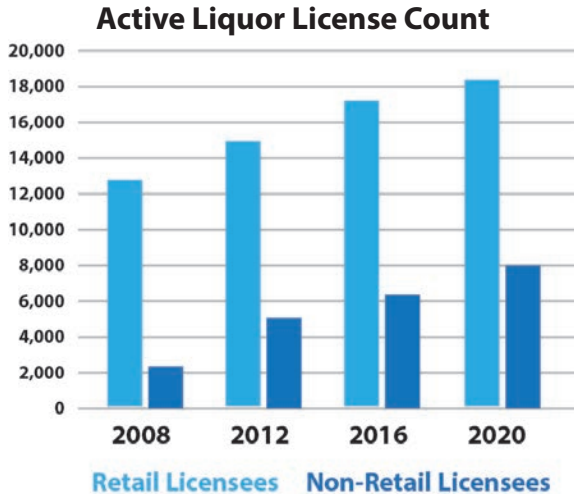
The chart above identifies the most commonly issued new licenses types.

Licensing and Regulation

The Liquor Licensing Unit approved nearly 2,700 license applications during the last fiscal year, and nearly 1,800 of these applications were for new licenses.



This chart represents the growth of Washington State wineries, breweries and distillers.



Cannabis Change Applications Approved

Producer and Processor	583
Retailers	177

COVID-19 Pandemic Response - Temporary Allowances

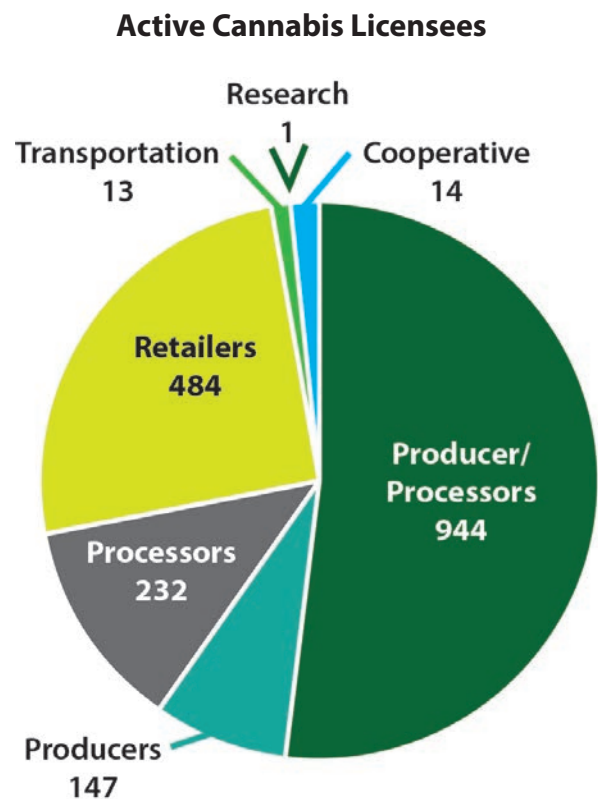
Temporary allowances allowed alternative methods for selling alcohol products during the

COVID-19 pandemic. From March 2020 to June 2020, the Unit processed nearly 300 requests for non-retail liquor licenses to add internet sales, delivery, or curbside service privileges to their business. On average, these requests were approved in less than five days.

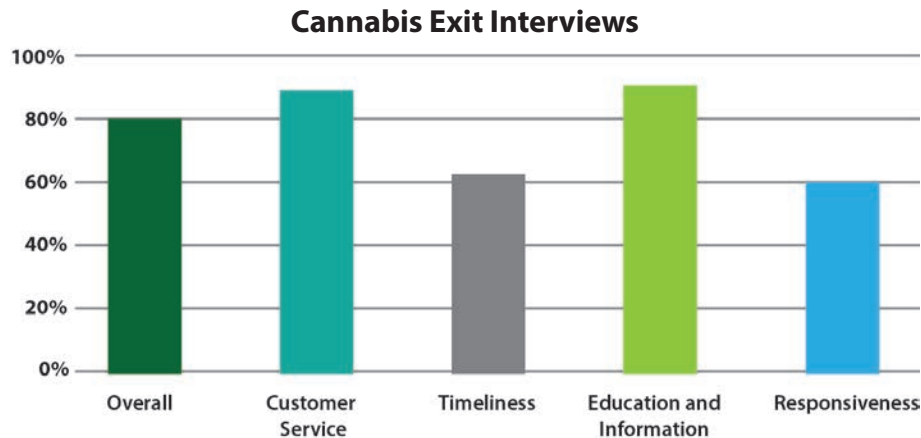
Nightclubs that could accommodate the food requirements of a Spirits/Beer/Wine Restaurant license were allowed to convert free of charge. The Unit began receiving the conversion requests in June and continue to receive applications.

Cannabis Licensing Unit

The Cannabis Licensing Unit processes applications for cannabis retailers, producers, processors, transporters, and researchers and processes change applications for all license types. This fiscal year, the Unit received over 1,000 change applications. The most common change requests continue to be alterations to the premises and change of ownership applications.



Licensing and Regulation



Exit Interviews

In February 2020, the Cannabis Licensing Management Team began conducting exit interviews with licensing applicants. The team asks questions to assess customer service, timeliness, education and information provided, and responsiveness. The team is using the feedback to focus on process improvement.

Policy and Education Unit

The Policy and Education Unit consists of the Licensing Division Training Team, Data Team and the Education Team. The Unit works collaboratively with employees throughout the division to implement liquor and cannabis rules, legislative and policy actions, support agency data requests, and administer the mandatory training and outreach programs for alcohol licensees.

Alcohol Impact Areas

Alcohol Impact Areas provide local authorities a process to mitigate problems with chronic public inebriation or illegal activity linked to the sale or consumption of alcohol within a geographic area of their city, town, or county. Once established, the off-premises sale of alcohol products may be restricted by limiting business hours, container sizes or prohibiting certain alcohol products. Local authorities are required to submit a report to the WSLCB every five years, evaluating the effectiveness of the Alcohol Impact Area and including comments from interested parties. This year, the division administered the five-year assessment for two Alcohol Impact Areas.

Training and Development

The Licensing Training Team has focused on developing training for new and current employees, and adapting to remote workforce needs. The team implemented training and provided resources on policy, rule and legislative changes. They also provided training sessions on licensing topics to standardize processes for licensing employees. The team partnered with the Enforcement Division to increase communication and improve business processes between divisions.

Responsible Vendor Program

This Responsible Vendor Program encourages retailers selling alcohol for off-premises consumption to adopt best practices and ensure liquor is sold responsibly. This fiscal year, more than 2,100 grocery store employees completed the responsible alcohol sales online training courses in English, Korean, and Spanish.

Mandatory Alcohol Server Training (MAST)

The MAST permit is required by law for anyone who serves alcohol for on-premises consumption, including those who manage the liquor-licensed establishment or conduct alcohol tasting. The division issued 34,719 new MAST permits to

individual servers, bringing the total number of MAST permit holders in Washington to over 204,000.

Compliance and Adjudication Unit

The Compliance and Adjudication Unit reviews applications, licenses, and renewals that exceed threshold requirements of criminal history, unpaid taxes, misrepresentation, or administrative violation history, and determines if the application or license will be approved, denied, or suspended. This year, the Board affirmed 99 percent of the Final Orders issued in past year for licenses that were denied or suspended. The Unit provides additional support to the division by managing bankruptcies, receiverships, sports entertainment facility operating plans, and local authority letters.

Liquor Memorandums of Agreement

Liquor Memorandums of Agreement (MOA) are entered into on a government-to-government basis. The MOA governs liquor sales at tribally

owned businesses located within Indian Country. On March 11, 2020, the Board signed the Confederated Tribes of the Chehalis Reservation's Memorandum of Agreement, making the Chehalis Tribe the first to enter an agreement in Washington State to distill and brew alcohol products.

Package and Label Approval

Cannabis licenses must receive approval for the packaging and labeling of their edible products. This process supports public safety by verifying that products follow proper warning labels and packing requirements and are not especially appealing to children. This past year, the Packaging and Labeling Program reviewed over 1,300 products to ensure compliance. The program also developed resources to assist licenses with packaging and labeling requirements. The LCB website now features a revised Cannabis Infused Edible Package and Label (PAL) Application, a PAL Checklist, and a PAL training guide.



Presenting members of the Design Team and LCB staff at November 20th's Results Review Session. Front row: Jonathan Reinier, Kathryn Cook, Antwan Locke. Back row: Edmon Lee, Brent DeBeaumont, Linda Thompson, Kaitlin Bamba, Kim Sauer, and Becky Smith

Public Health, Prevention and Research

Public Health, Prevention, and Research

To support the public safety mission of the agency, the Public Health Education program focuses on the prevention of underage use of alcohol, cannabis, and vapor products as well as the reduction of high-risk use by adults.

Program staff participate in coordinated efforts that engage other state agencies, statewide organizations, and educational institutions to align work toward the common goal of healthy and safe communities for all Washington residents. Providing research-based information and eliciting stakeholder feedback to inform policy work is a growing component of this program, particularly in the rapidly changing landscape of legalized cannabis use and vapor product regulation. Due to the outbreak of vaping-associated lung injury (VALI) in late summer 2019 and beyond, this program took an active role in emergent policy and communications work in close collaboration with the Department of Health and the Governor's Office to protect consumer safety.

Public health and prevention stakeholders connect regularly with this program to get up-to-date information, better understand rules and legislation (both current and proposed), navigate agency processes such as rulemaking, request a speaker, and seek resources. This program is also involved in research and surveillance efforts across states as cannabis policy shifts.

Within the agency, program staff are a key component of policy discussions internally, and provide relevant research, best practice recommendations and proposed impacts from a public health perspective.

Educating, Training and Engaging

Information and resources for cannabis and alcohol education and underage prevention efforts are provided through in-person presentations, webinars, social and traditional media, and responses to individual requests. In a continuation from last year, skills trainings have been added to increase prevention and public health professionals' understanding of and participation in our agency rule-making process, including webinars, coaching, focus groups and workshops at the Prevention Summit. Efforts have been made to ensure participation and engagement outside of the state capital, by traveling to other regions to hold public forums and engage in outreach. In FY 2020, the program staff:

- Provided presentations and trainings for local, state, and national stakeholders.
- Responded to over 200 requests for information.
- Convened a regional Prevention Roundtable in Bothell and a virtual, statewide Prevention Roundtable.
- Presented on how to connect with LCB at the Division of Behavioral Health and Recovery's Annual Prevention Summit.
- Held forums for public comment on rulemaking with prevention partners.
- Began a Prevention 101 and Research Spotlight internal series for LCB staff.

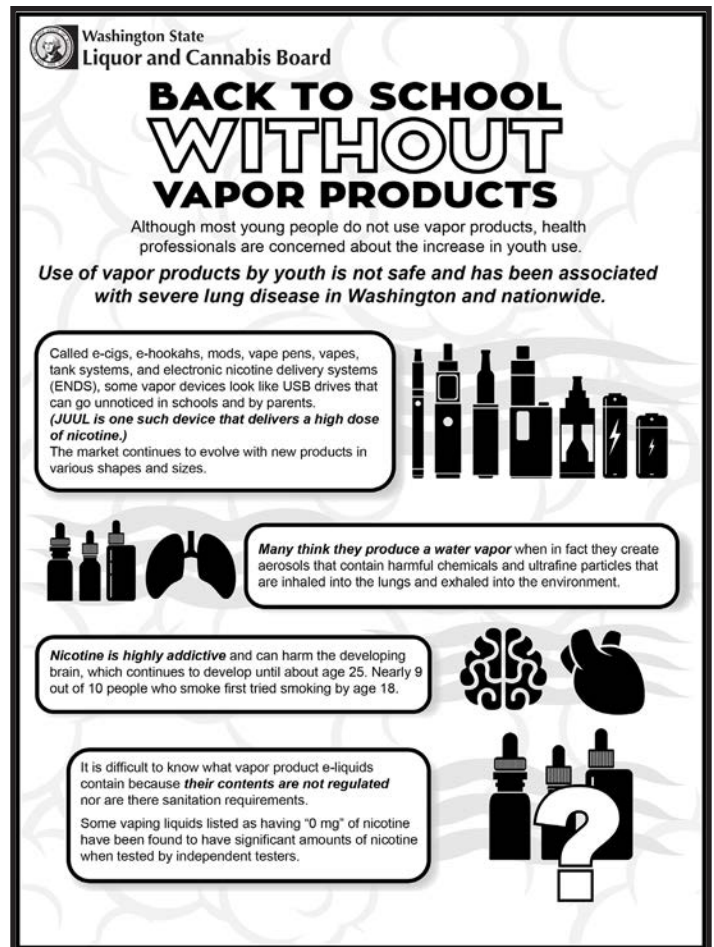
Working Together, Maximizing Resources

Addressing and preventing underage drinking and cannabis use requires the combined efforts of communities, schools, families, and individuals. Multiple government and statewide organizations work together to decide strategies, develop and distribute resources, and provide mentoring and support to communities.

The LCB Public Health Education Liaison serves as co-chair of the Washington Healthy Youth (WHY) Coalition and serves on the Coalition's Communication workgroup. With representatives from behavioral health, treatment, public health, law enforcement, education, research, prevention-based coalitions and others, the WHY Coalition works strategically to coordinate efforts, avoid duplication, and maximize resources. The Communications Workgroup maintains the Start Talking Now website, bringing resources to parents and other influential adults on how to talk to youth in their lives about alcohol and cannabis. The site is available in Spanish and seven of the state's other most-spoken languages. The LCB continues to be a sponsoring agency for the biennial Washington Healthy Youth Survey and the annual Washington State Prevention Summit. The LCB participates in the Healthy Youth Survey Planning Committee and the Summit Planning Committee. Staff are also members of the Strategic Prevention Enhancement Consortium, the WA Impaired Driving Advisory Council, NW HIDTA Prevention and Treatment Advisory Group, and the Prevention Research Subcommittee.

Incorporating Research

Reviewing and monitoring research is an important component of this program to help further the knowledge of both staff and stakeholders. Research-based information is incorporated in the policy decision-making process and is also used to develop and update educational materials, including the LCB website. Program staff use academic research in broad ways, sometimes identifying the individual health impacts of a given substance or chemical compound, or using research to identify the broader community or economic impacts of a given policy or protocol. Research is used to direct future thought on how policy develops and also used to substantiate or evaluate the policy decision-making process.



This "Back to School" flyer was developed by Public Health Education program staff.

Agency Performance

Agency Performance

Results Washington

Results Washington is a long-established, performance accountability program used to measure results for all state agencies. It is the primary strategy used by the Governor to implement and track progress toward his vision, mission, and goals for building a working Washington. Results Washington's key goal areas include:

- World Class Education
- Prosperous Economy
- Sustainable Energy and a Clean Environment
- Healthy and Safe Communities
- Efficient, Effective and Accountable Government

During FY 2020, Results Washington continued re-aligning the state's performance results structure to the key goal areas and other more specific statewide priorities. The LCB provided feedback on key program activities including Results reviews, ongoing performance-tracking metrics, and Lean process improvement.

Design Challenge

The LCB's Licensing Division was invited to participate in the Governor's Design Challenge. Principles of this initiative included a heavy focus on the customer voice and experience when considering and making improvements to core processes. With training and support from Results Washington staff, the liquor licensing process was reviewed and a starter's guide and visual roadmap for license applicants has been created. Other improvements, including on-line videos and reducing and consolidating forms are underway.

Governor's Results Reviews

During last half of the fiscal year, many Results review sessions were canceled due to the state response to the COVID-19 pandemic.

Along with two other state agencies, the LCB

participated in a Results review that highlighted our Design Challenge project on improving the liquor license process. The Licensing Division team was invited to present the project and our progress to the Governor.

LCB Results

LCB Results is the agency's long-standing performance improvement program. Sessions are held with senior leaders and program staff regularly to address a wide range of topics including trends in license and permit types and processing, enforcement and education, licensee outreach, human resources, risk management, budget, and administrative support functions. Leaders and key staff routinely discuss data trends, program targets and results, problem identification and solution finding, and tracking follow-up activities.

Many divisions and programs use fundamentals maps to showcase current work activity outcomes, including outcomes that impact end-users and customers.

Division-level Results sessions are also periodically held to address these and other topics, giving key program and unit staff the opportunity to participate in continuous review and discussion of program results.

Continuous Process Improvement

Improving operational processes is a core value at LCB and is embedded within the agency's daily work. Many agency employees have participated in Lean-related and problem-solving activities and training, including the state's annual Lean Conference. During the past year, a team of Lean leads revamped our internal Lean orientation for employees who are new to process improvement.

One outcome of staff awareness of process improvement happened when an employee from the Finance Operational Support unit identified an opportunity to improve the rate of environmental-friendly purchasing of products, resulting in an increase of "green" purchases from 24 percent to nearly 60 percent.

Income

	FY 2019	FY 2020
Liquor Taxes and License Fees (includes penalties)		
Spirits Fees	\$ 148.8	\$ 172.5
Beer Tax	31.1	30.1
Wine Tax (not including assessment)	26.5	26.5
Liquor License Fees	16.6	15.5
Total Liquor Income	\$222.9 million	\$ 244.5 million
Cannabis Taxes and License Fees (includes penalties)		
Cannabis Tax	\$ 390.4	\$ 469.2
Cannabis License Fees	5.2	4.8
Total Cannabis Income	\$ 395.5 million	\$ 473.9
Tobacco		
Tobacco Related Income	\$ 0.6	\$ 0.4
Total Tobacco Income	\$ 0.6 million	\$ 0.4 million
Total Income	\$ 619.1 million	\$ 718.9 million

Expenses

Operating Expenses		
Licensing	\$ 5.5	\$ 5.4
Enforcement	16.1	16.6
General	27.4	23.7
Total Operating Expenses	\$ 49.0 million	\$ 45.6 million
Distributions/Appropriations		
Distributed to State/Local Governments	\$ 505.6	\$ 559.2
State Agency Appropriations	61.4	66.7
Total Distribution/Appropriations	\$ 567.0 million	\$ 625.8 million
Total Expenses/Distributions	\$ 616.0 million	\$ 671.5 million

Financial Statement

Total Income Comparison Between 2019 and 2020

	FY 2019	FY 2020	Difference
Spirit Fees	\$148,755,778	\$172,453,017	Increase \$23,697,239
Beer Tax	31,060,875	30,076,121	Decrease 984,752
Wine Tax	26,481,140	26,479,857	Decrease 1,282
Liquor License Fees	16,644,934	15,476,379	Decrease 1,168,554
Cannabis Taxes/Fees	395,523,567	473,931,351	Increase 78,407,785
Tobacco	572,193	444,730	Decrease 127,462
Other General Fund	3,364	394	Decrease 2,969
Total	\$619,065,411	\$ 718,883,193	Increase \$ 99,817,782

FY20 Distributions/Appropriations Spent by Other Agencies

Agency	Cannabis	Liquor	Tobacco/ Vapor	Total
General Fund-State	\$ 137,000,000	\$ 133,721,449		\$ 270,721,449
Basic Health Account	213,000,000			213,000,000
Local Governments	15,000,000	49,485,834		64,485,834
Wash State Health Care Authority	48,590,338	8,864,796		57,455,134
Department of Health	10,193,648		441,281	10,634,929
Washington State Patrol	2,373,626	150,000		2,523,626
Municipal Research and Services Center		2,332,157		2,332,157
OFM Health Professions Account	1,323,000			1,323,000
University of Washington	255,951	569,782		825,733
Washington State University	138,000	685,491		823,491
Department of Agriculture	621,073			621,073
Superintendent of Public Instruction	455,972			455,972
Department of Ecology	367,292			367,292
Washington Wine Commission		280,053		280,053
Total	\$ 429,318,900	\$ 196,089,562	\$ 441,281	\$ 625,849,743

Alcohol

E2SSB 5549 - In short, this new law modernizes resident distillery marketing and sales restrictions. Specifically, it:

- Authorizes distilleries and craft distilleries to sell, for off-premises consumption, spirits, vermouth, and sparkling wine products of their own production, or produced by another Washington State licensee. However, spirits or other alcohol products made by another licensee in Washington State cannot constitute more than 25 percent of the alcohol stock-keeping units (SKUs) offered by the distillery or craft distillery. If a distillery or craft distillery sells fewer than 20 alcohol stock-keeping units of products of its own production, it may sell up to five alcohol stock-keeping units of another Washington licensee.
- When selling spirits produced by other Washington distillers for off-premise consumption, distillers must pay the 17 percent spirits license issuance fee; however, craft distillers are exempt from the 17 percent fee for sales of spirits of their own production.
- Distillers and craft distillers may serve samples of spirits for free or a charge, and may sell servings of spirits, vermouth, or sparkling wine for on-premises consumption at their distillery or off-site tasting rooms. Unadulterated samples must be half an ounce or less of spirits, with a per-person limit of two ounces of unadulterated spirits.
- Distillers and craft distillers may obtain a tasting room license, which may be off-site or at the production facility; no more than two off-site tasting rooms are allowed. Tasting rooms may be indoors, outdoors, or a combination. Each off-site tasting room requires a separate license, but a separate license is not required for tasting rooms located at the production facility. The annual fee for the license is \$2,000.
- Off-site tasting rooms may be shared by distilleries, craft distilleries and domestic wineries, to be jointly occupied and co-operated. They may sample, serve, and sell products of their own production and other products that may be sampled, served, and sold under their license.
- Off-site tasting rooms may have an identified and segregated space that is federally bonded and used for storage of bulk or packaged spirits.
- There is a statewide limit established for off-site tasting rooms of 150; this limit of 150 licenses for off-site tasting rooms does not include tasting rooms at the distiller's production facility and does not include any off-site tasting room license that also holds a spirits, beer, and wine restaurant license.
- Distillers and craft distillers are authorized to sell non-alcoholic products at retail.
- Distilleries, craft distilleries, and spirits certificate of approval holders are allowed to provide branded promotional items of nominal value to nonprofits.

For more in-depth summaries and links to the final bills, please visit the Laws and Rules section of the LCB website at lcb.wa.gov.

ESSB 5006 - This bill was initially introduced during the 2019 legislative session but was not approved by the Legislature until the 2020 session. In short, this new law allows the on-premises sale and consumption of wine produced in Washington by brewery or microbrewery license holders and the on-premises sale and consumption of beer produced in Washington by licensed domestic wineries. Specifically, the new law:

- Creates a new Liquor and Cannabis Board-issued endorsement available to wineries and breweries to expand service at tasting rooms for on-premises consumption.

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- Allows wineries to provide up to three different domestic beer offerings, by the single serving, to their customers for on-premises consumption; breweries and microbreweries will be able to offer three different domestic wine choices, by the glass, for on-premises consumption of single servings to their customers. The term “domestic” in this context means beer and wine offerings produced in Washington State.

There is a \$200 annual fee for the endorsement for each retail location.

ESSB 6095 - This bill excludes the common carrier licensees from the definition of “retailer” for the purposes of the three-tier system.

This law excludes interstate carrier licensees like train, ship, or airplane companies from the category of “retailer” in the state’s alcohol regulatory system. This law reinstates some of the provisions allowing various alcohol-related activities that had been inadvertently left out of Initiative-1183, which privatized liquor sales in Washington. For example, before the privatization law, airlines could provide branded, promotional, alcohol-related items and complimentary alcohol to passengers and employees. They could also fly wine for ticketed passengers at no charge, and could partner with alcohol businesses for events, and accept promotional advertising for airline publications.

This law also allows wineries, breweries, and microbreweries to perform services for interstate carriers like pouring, bottle-signing events, and other informational-type activities.

HB 2412 - In summary, this new law includes increasing allowable domestic brewery and microbrewery licenses, modifying keg registration requirements, and allowing dogs on certain brewery and microbrewery premises.

Specifically, it:

- Increases the number of retail liquor licenses a domestic brewery or microbrewery may hold from two to four. These licenses allow the brewery or microbrewery to operate a tavern, beer and wine restaurant or spirits, beer, and wine restaurant license, either at the brewery location or elsewhere;
- Exempts domestic breweries and microbreweries (but not taverns or restaurants) from keg registration requirements;
- Exempts a person who purchases a keg from a domestic brewery or microbrewery from several requirements, including providing a piece of identification and keeping a declaration and receipt next to or adjacent to the keg; and
- Requires the State Board of Health to adopt rules to allow dogs on the premises of breweries and microbreweries that do not serve food requiring a food service permit.

SB 6136 - This bill allows businesses authorized under the federal Supplemental Nutrition Assistance Program (SNAP) or Women, Infants, and Children (WIC) programs to accept the state’s public assistance Electronic Benefits Card (EBT) at their cash registers or ATMs.

In 2011, the Legislature passed a bill barring providers of certain products like tattoos or body piercings, lottery tickets, gambling, cigarettes, alcohol, and other types of products from accepting state EBT cards. Businesses included taverns, night clubs, beer and wine specialty stores, and a variety of other businesses including those that barred entry for persons under 18 years of age. However many beer and wine specialty store licensees in Washington are also the only grocery stores available in some communities.

In summary:

- Under the new law, retailers authorized for

SNAP or WIC programs can accept the state EBT card at their cash registers or ATMs. This bill also aligns state law with federal law.

- Taverns and night clubs must still have ATMs and point-of-sale devices disabled to the use of EBTs.

SSB 6392 - This bill creates a local wine industry association license for the purpose of promoting consumer education and events to raise awareness and interest in Washington wines and the communities in which the grapes and wine are grown, produced, and sold. These activities enhance local economies and tourism.

Previously these events have been held under the umbrella of a special occasion license, which the associations found have drawbacks including cost, limitations on the length of event, and procedural barriers or requirements to obtain the license and conduct the events. In summary this bill:

- Establishes the local wine industry association license with a \$700 annual fee.
- The license may be issued to a nonprofit, society, or organization created to educate consumers on, or promote the economic development of the Washington wine industry.
- Exempts domestic wineries participating in a licensee's event or marketing program from the "money or moneys' worth" prohibition in the three-tier system.
- Requires the entity holding the new license to notify the LCB 45 days before events and restricts the number of events to 12 per year.
- Any enforcement action based on a violation of the license or liquor laws at the event will be held against all participating wineries unless it can be demonstrated that one or more licensees were at fault.

Cannabis

E2SHB 2870 - In response to a policy priority identified by the Board, this bill was developed by the LCB to provide business opportunities to applicants of cannabis retail store license disproportionately impacted by the enforcement of cannabis prohibition laws.

Recognizing that cannabis prohibition laws were disproportionately enforced for decades and that the cumulative harms from this enforcement remain today, the LCB is committed to providing technical assistance to newly licensed entrepreneurs to help them launch their businesses successfully.

In short, the new law allows additional cannabis retail licenses for social equity purposes. Specifically, it:

- Creates a Cannabis Social Equity Program, authorizing the LCB to issue retailer licenses that were previously forfeited, cancelled, revoked, or never issued, but which could have been issued without exceeding the statewide cap on the number of retail licenses set in rule by the Board. These licenses may only be issued to a "social equity applicant," defined as someone who has lived in a disproportionately impacted area, or was convicted of a cannabis offense, or is a member of a family in which someone was convicted of a cannabis offense;
- Creates a technical assistance grant program, to be administered by the Department of Commerce from the Dedicated Marijuana Account; and
- Creates a Legislative Task Force on Social Equity in Cannabis, expiring June 30, 2022. The 18-member task force was appointed jointly by legislative leadership, to include a member from the LCB, Commission on African American Affairs, Commission on Hispanic

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Affairs, Governor's Office of Indian Affairs, and a member of the cannabis retail community, among several others. The purpose of the task force is to assist the LCB in developing the program authorized under the bill for issuance of up to 34 cannabis retail licenses, and to advise the Governor and the Legislature regarding future potential development or expansion of the Social Equity Program.

HB 2826 - This legislation was requested by the Liquor and Cannabis Board to address the emergence of vapor-associated lung injury (VALI) that occurred across the country in the summer and fall of 2019.

In summary, this new law clarifies the authority of the Liquor and Cannabis Board to regulate cannabis vapor products. Specifically, this new law:

- Authorizes the LCB to adopt rules to prohibit any type of cannabis vapor device, or prohibit the use of any type of additive, solvent, ingredient, or compound in the production or processing of cannabis vapor products upon determining, in consultation with the Department of Health (DOH), or any other authority deemed by the Board to be appropriate, that the device, additive, solvent, ingredient, or compound may pose a risk to public health or youth access. Youth access is defined as: the level of interest, appeal, or availability persons under 21 years of age may have in a vapor product and the likelihood of initiation, use, or addiction of the products by adolescents or young adults.
- Authorizes the LCB to develop rules requiring cannabis processors to submit to DOH, under oath, a list of all constituent substances and the amount and sources of all constituent substances in all cannabis vapor products.
- Clarifies that cannabis vapor products may contain characterizing flavors that are naturally occurring in the cannabis plant, such as

botanically derived terpenes, if the flavor is not synthetically derived and mimics the terpene profile of a cannabis plant.

SSB 6206 - This bill requires LCB to create "certificates of compliance" for cannabis businesses that meet distance qualifications at the time of application. Prior to this bill, cannabis businesses whose proposed location during their initial application had been further than 1,000 feet from specific types of facilities (schools, child care centers, public parks, libraries, game arcades and other listed entities) could be denied a license should one of these facilities be newly located nearby.

While new cannabis licenses are not currently available, when a current cannabis business wanting to move to a new location, the potential for this problem to arise was present. In summary, this bill:

- Requires LCB to issue a certificate of compliance for cannabis business locations that meet the statutory distance requirements at the time the application is submitted to the LCB.
- Provides that the certificate of compliance authorizes the licensee to operate the business at the location(s) specified in the application if a later occurring and otherwise disqualifying factor arises.
- Ambiguity in the language of the enacted bill will be clarified by the LCB during rulemaking to clarify that LCB does not have to issue the certificate at the time of application and that the certificate of compliance, by itself, doesn't allow the applicant to operate the business until and unless other requirements are met.

Other

ESSB 6191(Engrossed) - This bill adds questions about Adverse Childhood Events (ACES) to the

Healthy Youth Survey (HYS). The HYS is an ongoing, collaborative effort among several state and local agencies and participating school districts across Washington and states across the nation. The HYS asks youth about specific thoughts and behaviors known to contribute to illness, death, and societal problems. Responses are tracked and measured over time to learn about trends and emerging health risk behaviors. Given every two years to students in sixth, eighth, tenth, and twelfth grades, the survey provides important data to educators, program and curriculum developers, and other decision makers. In summary this bill:

- Directs participating state agencies – including LCB, to incorporate questions related to ACES into the Healthy Youth Survey.
- The responses to the survey must be voluntary and remain anonymous. Questions must be administered for two cycles and then be evaluated by the agencies for needed changes.
- Encourages school districts to use data collected about ACEs in decision making to improve services.

Washington State Liquor and Cannabis Board

Mission

Promote public safety and trust through fair administration and enforcement of liquor, cannabis, tobacco, and vapor laws.

lcb.wa.gov