



Washington State Liquor and Cannabis Board

Washington State Liquor and Cannabis Board Alcohol Advisory Council (AAC) Meeting

Wednesday, July 26, 2017, 1:30 pm to 3:30 pm

Room 201, LCB Headquarters - 3000 Pacific Avenue SE, Olympia WA 98501

Meeting Minutes

AAC Members Present

Jane Rushford, WSLCB Board Chair
Ollie Garrett, WSLCB Board Member
Rick Garza, WSLCB Director
Beer Institute: Gilbert Canizales
California Wine Institute: Katie Jacoy
Convenience Independent Contractors: Ted Yi (**Absent**)
Distilled Spirits Council of US (DISCUS): Adam Smith (**Absent**)
Family Wineries of Washington State: Paul Beveridge
First & Goal: Ed Goines (**Absent**)
Korean American Grocers Association of WA (KAGRO): Daniel Kim
Northwest Grocers Association: Holly Chisa
Tribe (Nooksack): Bob Kelly (**Absent**)
Tribe (Puyallup): David Bean (**Absent**)
WA Association of Neighborhood Stores: TK Bentler
WA Association of Spirits & Wine Distributors: Andrea McNeely
WA Beer & Wine Wholesalers Association: Scott Hazlegrove
WA Brewers Guild: Annie McGrath
WA Distillers Guild: Jason Parker
WA Food Industry Association: Jan Gee
WA Hospitality Association: Julia Gorton (**Absent**)
WA Wine Institute: Josh McDonald

Chair Rushford called the AAC meeting of the Washington State Liquor and Cannabis Board to order at 1:30 pm on Wednesday, July 26, 2017. She welcomed everyone and acknowledged that it has been awhile since the last meeting and looks forward to updates.

Legislative Update, James Paribello, Legislative Liaison

James briefly summarized the alcohol related legislation passed during the 2017 legislative session. (HANDOUT 1)

Alcohol Related Leg:

- Increase the Number of Winery Additional Locations for Tasting Rooms (SHB 1038) Passed
- Concerning the Alcohol Beverage Mead (wine made with honey) (SHB 1176) Passed
- S/B/W Combination Off-Premises Retail License (2SHB 1351) Passed
- Wine Auction Permit (HB 1718) Passed
- Creating a Caterer's Endorsement for Tavern Licenses (SHB 1902) Passed
- Spirits & Wine Distributors Selling Damaged Product (SSB 5537) Passed
- Distillery Promotional Items and Spirit Sample Sales (SSB 5589) Passed
- Credit Card Fees When a Retailer Purchases Alcohol from Distributor (ESB 5665) Passed
- Licensing Bonded Spirits Warehouses (ESB 5834) Passed

James mentioned a few bills that did not pass that were significant;

- **Agency Requested Legislation: Expanding the powers of LCB enforcement officers (SB 5132)**
This bill that would have provided expanded authority for LCB officers to enforce traffic laws relating to and associated with the manufacture, importation, transportation, possession, distribution and sale of marijuana, tobacco and vapor products as well as patron conduct in and around locations licensed by the Liquor and Cannabis Board. James mentioned we got closer than ever this year, but this is still a work in progress. The main barrier is other law enforcement agencies see this as a challenge in their own jurisdiction.
- **Modifying S/B/W Theater Licenses: Modify movie theater licenses to allow alcohol service within the theater.** LCB has been opposed to this and is not supportive of opening movie theaters for alcohol service.
- James stated that the Private Label Bill came down to the wire. LCB was directly involved in lobbying leadership to get this bill passed. We did not see this as a public safety threat. Letters were sent to leadership in both the House and Senate as well, explaining our position. James mentioned that with everything else that was going on, there weren't a lot of members that cared enough about the issue to pass the bill.
Rick and Jane thanked James for all his hard work and dedication.

Rick thanked Jan Gee for her work on the private label bill. Rick mentioned he and other staff members have talked to Costco about their private labels, and they believe they are in compliance. The LCB has asked for clarification from them. He added within the next 60 days we will share how the LCB will take action toward compliance. Jan stated she would like us to take action as quickly as possible. There are other grocers that also have private labels who will also be impacted by the decision.

Charlie Brown shared his concerns on how the LCB's decision will effect businesses, stating there will be business disruption, financial issues and timing issues.

Justin Nordhorn (LCB) added we will be coming up with an action plan on how to implement the decision. He added we will be as reasonable and practical as we can. We are well aware of the impact on the business's, as well as on LCB Enforcement.

Jane (LCB) noted next steps will be revealed very soon.

Rules Update, Karen McCall, Sr. Agency Rules Coordinator

Karen gave an update on current rules that have been updated and gone into effect and where we're at in the process.

- Rules review and approval of WAC 314-02-Retail Licenses, 314-07-Application process, 314-11 & 314-12 General Rules for All Licensees. Adopted on May 31, 2017 and go into effect July 2, 2017.
- Currently working on rule making on WAC 314-03 Allowed Activities around mobile applications. Rules are needed to address the use of mobile applications to purchase alcohol. Public Hearing was held on July 12 2017, Board approved the final rules on August 9, 2017.
- Currently working on rule making on WAC 314-04-040 Private Club Membership Drives. The Board approved an increase from one per year to four per year (one per quarter). Board adopted today, July 26 and will go into effect on August 26, 2017.

- Starting rules review for non-retail licenses. She noted it has been several years since we have looked at these rules. We will be reviewing breweries, wineries and distilleries. We should have proposed rules ready to go to the Board on August 23, 2107. Karen will send draft rules out to stakeholders to review before filing the proposed rules. She is taking a proactive approach to make sure stakeholder comments get reviewed by the rule making staff before they get filed.
- Implementation of 2017 Liquor Legislation: Filed the CR 101 on July 12th should have proposed rules to Board on August 23rd, public hearing will be held on October 4th and adopted by the Board on October 17th.

AAC Members Round Table

Chair Rushford opened the round table discussion.

TK Bentler commented on the AMC Theater bill that did not pass. He would like the opportunity to go into more detail with the Board members on the theater bill. Jane will find a date for TK to come to a Board Caucus meeting.

Paul Beveridge shared his biggest priority is to start a discussion on more comprehensive licensing reform instead of coming back every year with small fixes. He would like tax and licensing reform for small wineries. He is concerned they are losing members.

Annie McGrath shared that craft brewing is still growing. Nearly a 1/3 of the industry opened in the last two and a half years. They have a lot of new and small brewers who are working very hard to make a name for themselves. One priority of the guild is to make sure our brewers are well educated about the laws. It would be helpful to get some clear and concise information, possibly a statement from the LCB. Having something written down that we can point to. The more information made available the better for their members.

Josh McDonald mentioned the LCB seminars for wineries across the state have been very successful. He encourages this kind of education, especially going out into the regions. More dialogue with licensees is always better. Kudos to the LCB staff for working on this.

Jane added the Board members and LCB leadership encourage opportunities to inform and educate.

Rick added the licensing system is very complicated and we have plans to work with licensing and enforcement to look at simplifying the licensing process. He reminded everyone the second phase of SMP is to look at simplifying the licensing process.

Jason Parker commented that the education component the LCB is using is exactly the direction they want to be heading in. He added that they are going to run a bill to simplify some rules. Would like to unify the licenses for ease, clarity and all have the same privileges.

There was discussion around the amount of liquor legislation that is presented every year and the challenges of getting the attention of legislators. The group discussed coming together in the interim to discuss and identify issues that all parties are in agreement about. Collectively they could create one omnibus bill. It was agreed the fewer liquor titles the better it is for legislature. There is also a challenge with educating law makers on the alcohol/licensing bills that stakeholders are asking them to pass. There is a misconception or misunderstanding of what they are actually asking in some bills. Is it an internal process or public issues that would involve access to alcohol? It would help to have a message coming from the Board of what really does affect access to alcohol and public safety versus an internal process.

Along the same theme was the discussion about giving the LCB more authority to make decisions around alcohol policy by rule. This would help eliminate the amount of small bills that go to the legislature. The group discussed if there was a way to write some language to take to the legislature to give the LCB more authority. Many felt it would be a welcome exercise to pursue.

There was also some opposition shared with giving the LCB more authority. It was mentioned that it may not always be in the industries' best interests especially when there are leadership changes.

Scott Hazlegrove brought up the challenges of interpretation and clarification of enforcement. He suggested creating one publication that is easy to read and understand for all stakeholders to reference. One issue that brought this to light was how to approach festivals. Scott provided a draft "Festival Endorsement to Existing Liquor License" (HANDOUT 2). This is an example for providing clarity.

Jane commented this is a subject that has already been taken up internally. LCB staff are currently reviewing the special occasion license. We are aware the special occasion license is being used for more than what it was originally intended for (for profit versus not-for-profit) given changes in the industry and popularity of festivals.

Takeaways and Next Steps

- Continue festival/special occasion discussion
- Theater discussion with Board members
- Omnibus bill – collaborative opportunities
- Take a look at rules authority of the Board

Closing


2017 AAC Meetings:

- Next meeting TBD (November)

Chair Rushford adjourned the meeting at 3:25 pm.

Minutes approved this 3 day of OCTOBER, 2017.


Jane Rushford
Board Chair


Ollie Garrett
Board Member

Not Present
Russ Hauge
Board Member

Minutes Prepared by: Cindy Doughty, Administrative Assistant to the Board