



## Washington State Liquor Control Board

### **Topic: Petition for Rulemaking to allow liquor licensed retailers to provide curbside service for customers participating in online ordering and pickup**

**Date: January 24, 2018**

**Presented by: Karen McCall, Rules Coordinator**

### **Problem or Opportunity**

A petition for rulemaking was submitted by Deborah Herron, Walmart's Director of Public Affairs and State & Local Government. Walmart has requested the Board open rulemaking to allow liquor licensed retailers to provide curbside service for customers participating in online ordering and pickup programs.

### **Background**

Online programs allow customers to choose and order products online and pick them up curbside at the liquor licensed retail location.

WAC 314-11-015 does not allow "drive-in" or "curb service." Revising the rule to allow liquor licensed retailers to provide curbside service will ensure that retailers and customers have parameters in place for this service.

### **Recommendation**

Staff recommends opening rulemaking on this issue by filing a pre-proposal statement of inquiry (CR 101) to adopt rules to allow liquor licensed retailers to provide curbside service for customers participating in online ordering and pickup programs.

_____ Approve	_____ Disapprove	_____ Jane Rushford, Chairman	_____ Date
_____ Approve	_____ Disapprove	_____ Ollie Garrett, Board Member	_____ Date
_____ Approve	_____ Disapprove	_____ Russ Hauge, Board Member	_____ Date

**From:** Deborah Herron [<mailto:Deborah.Herron@walmart.com>]  
**Sent:** Monday, December 11, 2017 2:20 PM  
**To:** McCall, Karen J (LCB) <[karen.mccall@lcb.wa.gov](mailto:karen.mccall@lcb.wa.gov)>  
**Cc:** Steve Gano <[steve@stevegano.com](mailto:steve@stevegano.com)>  
**Subject:** Request to Wash. LCCB

Washington Liquor and Cannabis Control Board,

Walmart would like to formally request a review of the rules and regulations surrounding the legality of a licensed adult beverage retailer to deliver adult beverages purchased through an online platform to a customer at curbside, whereby the customer's vehicle is located in designated parking spots. Specifically, it is Walmart's understanding that to allow these services, necessary amendments will have to be made to Wash. Admin. Code 314-11-015. Walmart would welcome the opportunity to testify in a hearing on this matter if the Board should find it useful.

Customer purchasing habits have and are changing rapidly, with ecommerce, smartphone and mobile applications enabling customers to purchase products for delivery or pick-up. However, the laws in some states governing the sale of adult beverages have not been amended to reflect these changes in purchasing behavior. We ask for LCCB to review and consider updating this section to align with the retail innovation and customer trends that are taking place in Washington.

Please find the attached slides which explain Walmart's procedures around its Online Grocery Pickup program and the controls in place when adult beverages are included in an order. Additionally, please feel free to contact me at anytime at the phone number or email below.

**Deborah Herron**

**Director, Public Affairs and State & Local Government**

**Walmart\*Save money. Live better.**

Mobile: 503-539-5333

[deborah.herron@walmart.com](mailto:deborah.herron@walmart.com)



# U.S. eCommerce Ethics & Compliance

## Online Grocery Pickup

Service Overview and Alcohol Controls

# Online Grocery Pickup (OGP)

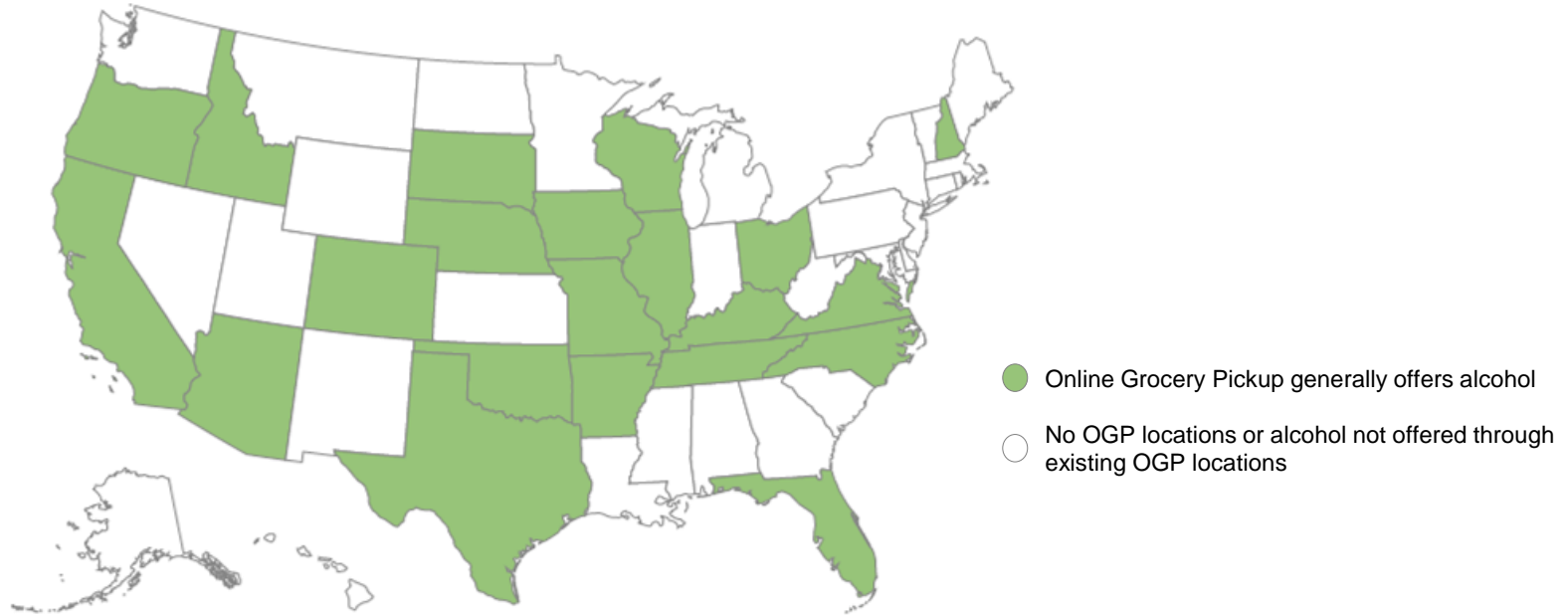


# Existing Program & Washington stores

- Walmart offers its Online Grocery Pickup (OGP) program in more than **1,100** facilities nationwide.
  - This program began in 2011 and has been added to more than 800 Walmart stores since 2016
  - In September of this year, we launched our program's 1,000th location in Monroe, Washington
  - We offer alcohol through OGP in more than 700 locations nationwide
  - We currently offer OGP through 15 locations in the state of Washington
- This presentation highlights our OGP operations and controls across the country
  - The ➤ bullet indicates a control specific to alcoholic beverage products



# Online Grocery Pickup – Alcohol Offering

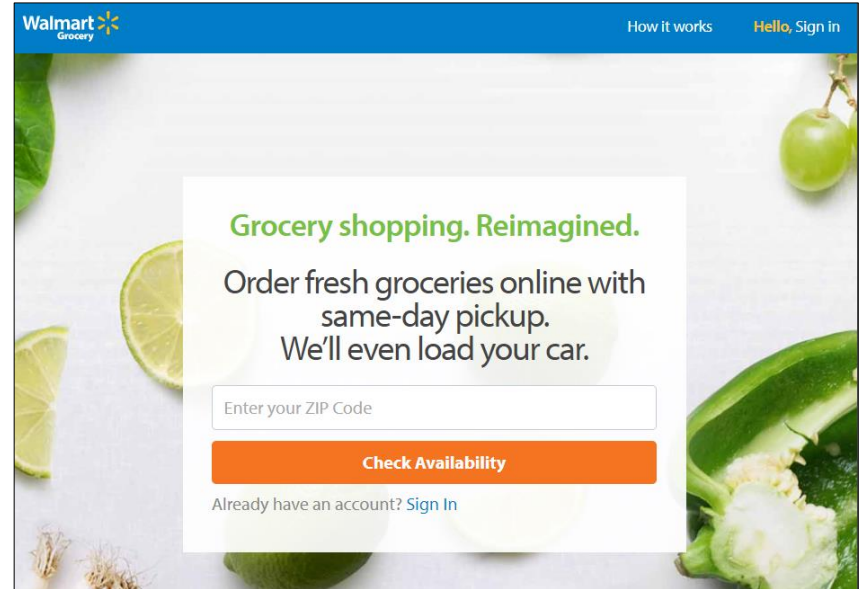


Alcohol offered at **700+** locations in **21** states

# How it Works – Online Grocery

## Overview

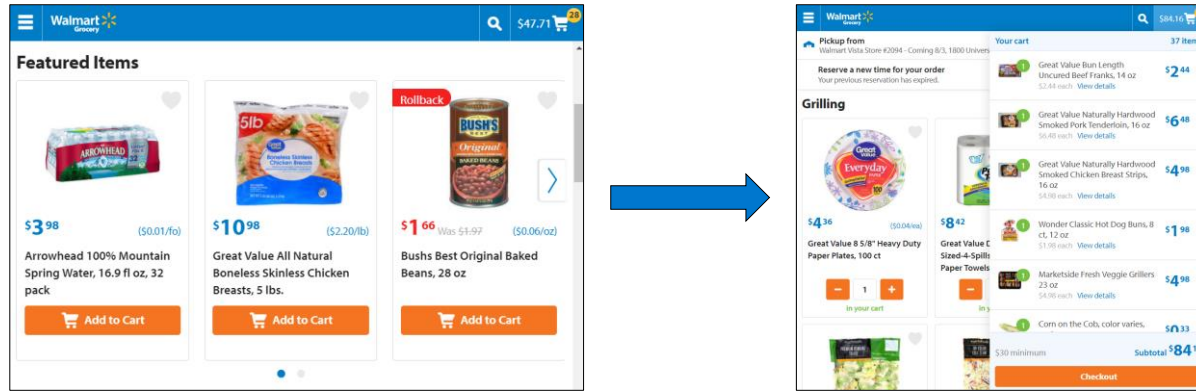
- Customer visits [walmart.com/grocery](https://walmart.com/grocery) and creates an account by providing applicable information such as phone #, zip code, email address, etc.
- Based on the customer's zip code, he or she will be provided with a list of the closest stores eligible for Walmart Online Grocery Pickup program
- Customer selects desired pickup store location



# How it Works – Online Grocery

## Placing Order

- When customer is ready to shop, he or she views the item assortment on the walmart.com/grocery website
  - Customer will only see items carried at their pickup store location. If the store does not carry the product, the items will not be available online
  - Customer can change their pickup store location as desired; however, the assortment may change
- Customer places items from the assortment in to their online shopping basket





# How it Works – Online Grocery

## Placing Order

- Where allowed by state and/or local regulations, customers can include select alcoholic beverage products in their order.
- All alcoholic beverage product item pages on [walmart.com/grocery](https://walmart.com/grocery) are flagged with a notification explaining the restrictions around purchasing this product.

GOVERNMENT WARNING: (1) According to the Surgeon General, women should not drink alcoholic beverages during pregnancy because of the risk of birth defects. (2) Consumption of alcoholic beverages impairs your ability to drive a car or operate machinery, and may cause health problems.


The sale of alcohol to minors is prohibited.


At delivery or pickup, you must show a valid photo ID and provide a signature confirming that you are age 21 or over. Accepted forms of ID are: Driver's Licenses, State-issued Identification Cards, U. S. Passports, Military Identification Cards, U.S. Immigration Cards, or Tribal IDs in specific states, or other similar government issued IDs that are recognized within the state. Drivers will not deliver to anyone who appears to be intoxicated. No discounts, coupons or tax-exempt sales may be applied to alcohol. An order of alcohol totaling 20 gallons or more will not be allowed.




# How it Works – Online Grocery

## Placing Order

- Customer must then click  and enter their payment information
- Walmart authorizes and holds the card information but funds are not transferred from the card (all payments are electronic; there are no cash sales through this program)
- If the customer checks out with an alcoholic beverage product in their basket, the below notification is displayed and customer must acknowledge that he or she is 21 years of age

**Alcohol Disclosure** 

☐ By checking this box, you confirm that you are at least 21 years old and will not resell any alcohol you purchase.

**Alcohol Disclosure** 

**Your order contains alcohol. Please read our policy before purchase.**

GOVERNMENT WARNING: (1) According to the Surgeon General, women should not drink alcoholic beverages during pregnancy because of the risk of birth defects. (2) Consumption of alcoholic beverages impairs your ability to drive a car or operate machinery, and may cause health problems.

The sale of alcohol to minors is prohibited.

At delivery or pickup, you must show a valid photo ID and provide a signature confirming that you are age 21 or over. Accepted forms of ID are: Driver's Licenses, State-issued Identification Cards, U. S. Passports, Military Identification Cards, U.S. Immigration Cards, or Tribal IDs in specific states, or other similar government issued IDs that are recognized within the state. Drivers will not deliver to anyone who appears to be intoxicated. No discounts, coupons or tax-exempt sales may be applied to alcohol. An order of alcohol totaling 20 gallons or more will not be allowed.

# How it Works – Online Grocery

## Personal Shoppers

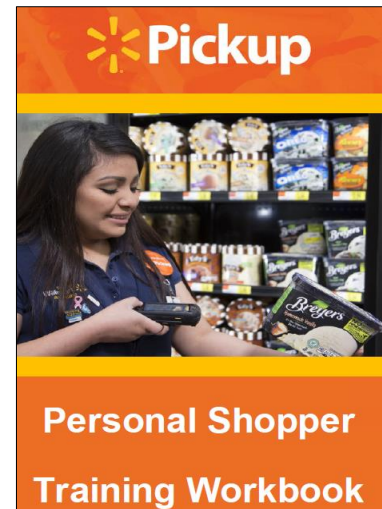
- On the day a customer is scheduled to pickup an order, a store associate, identified as a “Personal Shopper,” will “pick” for the customer’s order in the store
- Personal shoppers pick, stage, and dispense the products that will be in the customer’s order
- When we hire Personal Shoppers, we look for experienced associates that display great judgement, quick decision making, and potential to handle greater responsibility at the store level



# How it Works – Online Grocery

## Personal Shopper Training

- Before new personal shoppers can pick, stage, or dispense a customer's order, they must complete the Personal Shopper Onboarding program
- This includes eLearning training sessions, guided training sessions on picking, staging, and dispensing customer orders, and completing practice orders
- This also includes training on picking, labeling, and other policies relating to alcohol
- All associates (including all personal shoppers) are required to complete the Alcohol Sales Training course

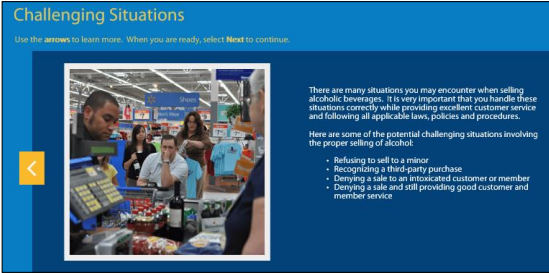
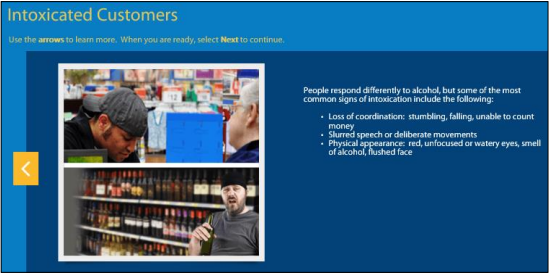




# How it Works – Online Grocery

## Alcohol Sales Training

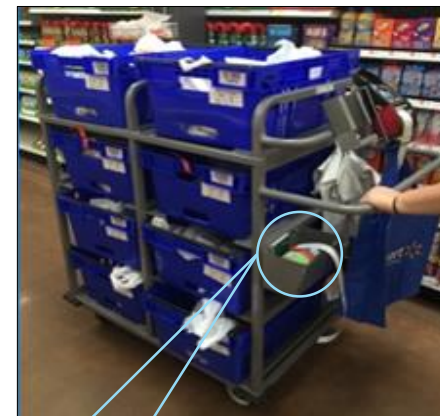
- The Alcohol Sales training course covers identifying and handling situations involving the sale of alcohol and specifically reviews:
  - Requesting and identifying valid identification and detecting fake IDs
  - Third-party (straw) purchase attempts and other strategies used by minors to attempt to buy alcohol
  - Identifying intoxicated customers, denying a sale to an intoxicated customer, and handling other challenging situations



# How it Works – Online Grocery

## Picking Orders

- The personal shoppers are assigned commodity groups and use their handheld device to pick the products for that day's orders
  - All picking is completed on the day of pickup to ensure customer receives the freshest products
  - If a customer order contains an alcohol beverage product, the product is assigned to a "Restricted" commodity group.
    - Personal Shoppers must be of legal age to pick alcohol beverage products; legal age is determined by state and/or local regulatory requirements
    - Our shopper's "picking" carts have a roll of stickers labeled with the word "alcohol". All bags containing alcoholic beverage product are labeled with the "alcohol" sticker



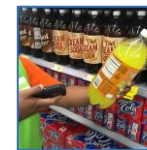
# How it Works – Online Grocery

## Picking Orders

- Personal shoppers are also required to do the following during the picking process:
  - Items must be bagged on the sales floor, never place raw food in the same bag with ready-to-eat food
  - Raw meat products must be placed in a raw meat bag, then in a regular bag
  - Always check expiration dates on perishable items
  - Use the timer when picking chilled / frozen items to ensure the picking process is complete in 30 minutes



Pick Item



Scan Item



Bag Item & Place in Container

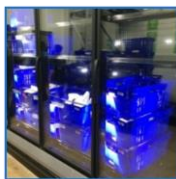


Label/Scan Container

# How it Works – Online Grocery

## Staging Orders

- After personal shoppers complete the pickup process, the orders are staged in a secure location until the customer arrives to pickup his/her order
- There are three types of staging:
  - Chilled / Frozen – These items are staged under refrigeration to ensure products are maintained at the proper temperature
  - Ambient Pickup Ready – order is expected to be picked up in the upcoming hour
  - Ambient Dense – orders are expected to be picked up throughout the day, totes are organized by timeslot



Chilled / Frozen



Ambient Pickup Ready



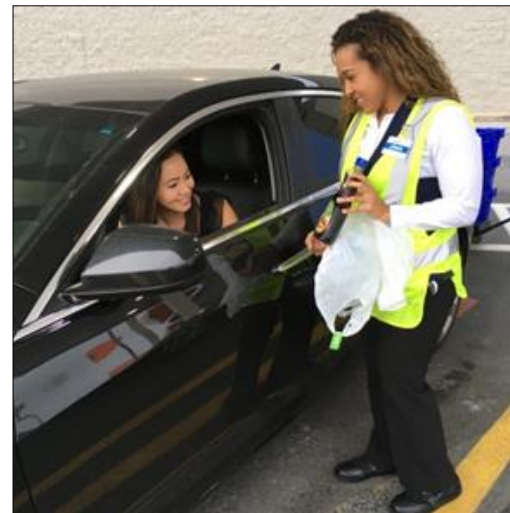
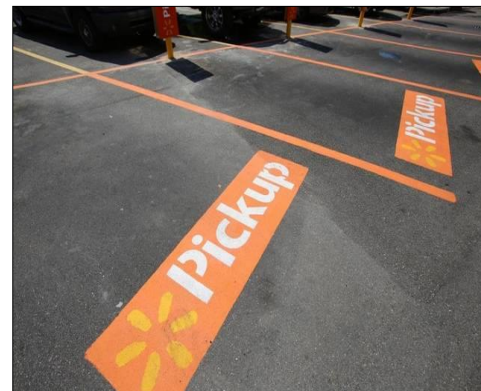
Ambient Dense



# How it Works – Online Grocery

## Customer Pickup

- When the customer arrives, they check-in by calling, using mobile check-in, or check in via the pickup kiosk (options vary by location)
- The associate assigned to dispense the order use their handheld device to identify the order number and pull the appropriate totes from the staging areas
  - Only associates meeting the age requirements within the regulatory jurisdiction are allowed to handle and/or dispense orders with alcohol beverage products
- The personal shopper will bring the order to the customer's vehicle, and review any substitutions, fragile items, and out of stock items with the customer. This review allows the customer to ensure they are getting what they want and provides the option to return or reject any item
- The personal shopper will remove any rejected items from the order, and the customer will not be charged.

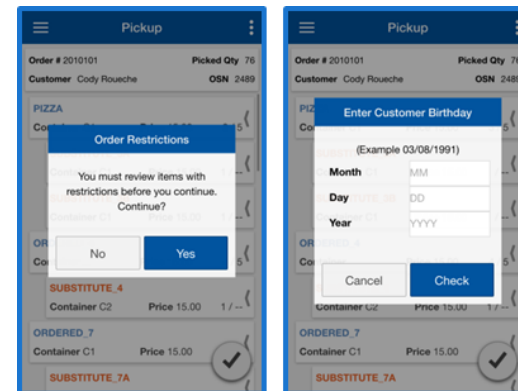




# How it Works – Online Grocery

## Customer Pickup

- If the customer's order includes an alcoholic beverage product, the personal shopper is prompted by their handheld device that there are restricted items in the customer's order
- When the personal shopper receives this prompt, they will:
  - Stay alert for signs that the customer is intoxicated or for indicators of a straw purchase
  - Request valid identification from the customer
  - Enter the customer's date of birth from the provided valid identification into their handheld advice



# How it Works – Online Grocery

## Customer Pickup

- If the customer is 21 years of age or older, the sale will be allowed and the customer must sign the handheld device.
  - After signing, the order will be finalized, the customer's card will be charged for the order, and the groceries will be loaded into the customer's vehicle
- If the customer is under 21 years of age, cannot provide a valid ID, or the alcoholic beverage products cannot be sold during the time of pickup:
  - The personal shopper will remove all alcoholic beverage products from the customer's order and the customer will not be charged for any removed products
  - The customer can sign for the remaining items and his or her card is charged for the amount (minus the cost of the alcoholic beverage products)

Cancel Restriction: Age Next

Customer is not old enough for this item. Remove from order.

Scan/Enter Item UPC

BLUE MOON

Item	11
UPC	100051001
Unit Price	15.00
Container	Picked Qty
C1	5

Customer is not old enough for some items. Items were removed successfully.

Cancel Restriction: No Sale Done

This item is not available for sale after 7/18/2016 1:00AM or before 7/18/2016 11:59PM. Please remove from this order.

Scan/Enter Item UPC

BLUE MOON

Item	11
UPC	200051001 200054002 200054003
Unit Price	15.00
Container	Picked Qty
C1	3
C1	1
C1	1

Item removed successfully



# How it Works – Online Grocery

## Post Pickup

- If a customer has any questions or concerns about their order or their pickup experience, they may provide feedback through multiple channels:
  - Contact our Call Center for additional support
  - Provide feedback through our Post Pickup Surveys
  - Return to the store and speak with a member of management

## **Issue Paper**

### **Curbside Service for Liquor Licensed Retailers**

Date: January 24, 2018

Presented by: Karen McCall, Agency Rules Coordinator

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#### **Description of the Issue**

The purpose of this Issue Paper is to request approval from the Board to file the first stage of rule making (CR 101) to allow liquor licensed retailers to provide curbside service when customers are picking up products ordered through online ordering and pickup programs.

#### **Why is rule making necessary?**

A petition for rulemaking was submitted by Deborah Herron, Walmart's Director of Public Affairs and State & Local Government. Walmart has requested the Board open rulemaking to allow liquor licensed retailers to provide curbside service for customers participating in online ordering and pickup.

#### **Background**

Online programs allow customers to choose and order products online and pick them up curbside at the liquor licensed retail location.

WAC 314-11-015 does not allow "drive-in" or "curb service." Revising the rule to allow liquor licensed retailers to provide curbside service will ensure that retailers and customers have parameters in place for this service.

#### **Process**

The rule making process begins by announcing LCB's intent to add and make changes to existing rules by filing a CR 101 form. This allows staff and stakeholders to begin discussing necessary rule changes. At the CR 101 stage of the process, no proposed language is offered. The public may comment on the subject of this rulemaking during the designated comment period. Notice will be sent to all who have indicated that they want to receive notice of rule changes. The notice will identify the public comment period and where comments can be sent. Based on public input received, staff will draft proposed changes for presentation to the Board at the next phase of the rule making process.



## Washington State Liquor and Cannabis Board

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**Date:** January 24, 2018

**To:** Jane Rushford, Board Chair  
Ollie Garrett, Board Member  
Russ Hauge, Board Member

**From:** Karen McCall, Agency Rules Coordinator

**Copy:** Rick Garza, Agency Director  
Peter Antolin, Deputy Director  
Justin Nordhorn, Chief of Enforcement  
Becky Smith, Licensing Director

**Subject:** **Approval for filing a pre-proposal statement of inquiry (CR 101) to revise WAC 314-11-015 to allow liquor licensed retailers to provide curbside service for customers participating in online ordering and pickup**

This rulemaking is the result of a petition for rulemaking submitted by Deborah Herron, Walmart's Director of Public Affairs and State & Local Government. Walmart has requested the board open rulemaking to allow liquor licensed retailers to provide curbside service when customers are picking up products ordered through online ordering and pickup programs.

### Process

The Rules Coordinator requests approval to file the pre-proposal statement of inquiry (CR 101) for the rule making described above. An issue paper on this rule was presented at the Board meeting on January 24, 2018, and is attached to this order.

If approved for filing, the tentative timeline for the rule making process is outlined below:

January 24, 2018	Board is asked to approve filing the pre-proposal statement of inquiry (CR 101)
February 7, 2018	Code Reviser publishes notice, LCB sends notice to rules distribution list
March 7, 2018	End of written comment period
March 21, 2018	Board is asked to approve filing the proposed rules (CR 102 filing)
April 4, 2018	Code Reviser publishes notice, LCB sends notice to rules distribution list
May 2, 2018	Public Hearing held



May 2, 2018	End of written comment period
May 16, 2018	Board is asked to adopt rules
May 16, 2018	Agency sends notice to those who commented both at the public hearing and in writing.
May 16, 2018	Agency files adopted rules with the Code Reviser (CR 103)
June 16, 2018	Rules are effective (31 days after filing)

\_\_\_\_\_ Approve      \_\_\_\_\_ Disapprove      \_\_\_\_\_  
 Jane Rushford, Chair      Date

\_\_\_\_\_ Approve      \_\_\_\_\_ Disapprove      \_\_\_\_\_  
 Ollie Garrett, Board Member      Date

\_\_\_\_\_ Approve      \_\_\_\_\_ Disapprove      \_\_\_\_\_  
 Russ Hauge, Board Member      Date

Attachment: Issue Paper

Washington State Liquor and Cannabis Board

## **Issue Paper**

### **Rule Making on Private Label Spirits**

Date: January 24, 2018

Presented by: Karen McCall, Agency Rules Coordinator

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#### **Description of the Issue**

The purpose of this Issue Paper is to request approval from the Board to file revised proposed rules (Supplemental CR 102) for private label spirits.

#### **Why is rule making necessary?**

After the Public Hearing on November 29, 2017, revisions were made to the proposed rules based on stakeholder feedback. A supplemental CR 102 is required for these revisions.

#### **What changes are being made?**

**New Section. WAC 314-12-145 Private Label Spirits.** Includes the requirements for private label spirits.

NEW SECTION

**WAC 314-12-146 Private label spirits.** Distillers, crafter distillers, spirit certificate of approval holders, and manufacturers of spirits may produce private label spirits for on-premises and off-premises spirits retailers under the following conditions:

(1) There may be no exclusivity between the producer and the retailer for the private label spirit product. The spirit product must be reasonably available to all spirits retailers licensed to sell spirits;

(2) A copy of the contract between the producer and the spirits retailer for all private label spirits products must be available to the board for inspection; and

(3) The distiller, craft distiller, spirit certificate of approval holder, or manufacturer of spirits must submit a TTB certificate of label approval for each private label produced to the board for review.



## Washington State Liquor and Cannabis Board

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**Date:** January 24, 2018

**To:** Jane Rushford, Board Chair  
Ollie Garrett, Board Member  
Russ Hauge, Board Member

**From:** Karen McCall, Agency Rules Coordinator

**Copy:** Rick Garza, Agency Director  
Peter Antolin, Deputy Director  
Justin Nordhorn, Chief of Enforcement  
Becky Smith, Licensing Director

**Subject:** **Approval for filing revised proposed rules (Supplemental CR 102) for Private Label Spirits**

After the Public Hearing on November 29, 2017, revisions were made to the proposed rules based on stakeholder feedback. A supplemental CR 102 is required for these revisions.

### Process

The Rules Coordinator requests approval to file revised proposed rules (Supplemental CR 102) for the rule making described above. An issue paper on this rule was presented at the Board meeting on January 24, 2018, and is attached to this order.

If approved for filing, the tentative timeline for the rule making process is outlined below:

January 24, 2018	Board is asked to approve filing the proposed rules (CR 102 filing)
February 7, 2018	Code Reviser publishes notice, LCB sends notice to rules distribution list
March 7, 2018	Public Hearing held
March 7, 2018	End of written comment period
March 21, 2018	Board is asked to adopt rules
March 21, 2018	Agency sends notice to those who commented both at the public hearing and in writing.
March 21, 2018	Agency files adopted rules with the Code Reviser (CR 103)
April 21, 2018	Rules are effective (31 days after filing)

\_\_\_\_\_ Approve      \_\_\_\_\_ Disapprove      \_\_\_\_\_  
Jane Rushford, Chair      Date

\_\_\_\_\_ Approve      \_\_\_\_\_ Disapprove      \_\_\_\_\_  
Ollie Garrett, Board Member      Date

\_\_\_\_\_ Approve      \_\_\_\_\_ Disapprove      \_\_\_\_\_  
Russ Hauge, Board Member      Date

Attachment: Issue Paper

## **Issue Paper**

### **Self-Dispensing Beer and Wine Machines**

Date: January 24, 2018

Presented by: Karen McCall, Agency Rules Coordinator

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#### **Description of the Issue**

The purpose of this Issue Paper is to request approval from the Board to file proposed rules (CR 102) to allow the use of self-dispensing beer and wine machines by on-premises beer and wine licensees.

#### **Why is rule making necessary?**

A petition for rulemaking was submitted the liquor licensee of Tri-Cities Tap and Barrel, a tavern license. The licensee has requested the board open rulemaking to allow the use of self-dispensing wine machines in on-premises retail licensed locations.

#### **Background**

The board adopted Interim Policy #01-2011 on February 2, 2011, which allows the use of self-dispensing wine machines for wine tastings at a winery premises with proper supervision.

The board also adopted Interim Policy #07-2011 on August 10, 2011, allowing the use of self-service beer taps at a liquor licensed premises.

Permanent rules are needed to clarify the requirements needed for licensee's to use self-dispensing beer and wine machines in their businesses.

#### **What changes are being made?**

**New Section. WAC 314-12-145 Private Label Spirits.** Includes the requirements for private label spirits.



NEW SECTION

**WAC 314-12-085 Self-dispensing wine machines and self-service beer taps.** (1) The requirements for an on-premises liquor licensee to use self-dispensing wine machines are as follows:

(a) The liquor licensee must maintain adequate staff to monitor for potential over service/consumption;

(b) Employees responsible for operating the self-dispensing machines must hold a class 12 or class 13 alcohol server permit;

(c) An employee must first check the customer's ID and check for signs of intoxication; and

(d) A service card to self-dispense must be purchased from an employee. The card may allow no more than a total of ten ounces dispensed in five ounce servings. No more than two cards may be purchased by any one customer at any time.

(2) The requirements for an on-premises liquor licensee to use self-service beer taps are as follows:

(a) The liquor licensee must maintain adequate staff to monitor for potential over service/consumption;

(b) Employees responsible for operating the self-service beer taps must hold a class 12 or class 13 alcohol server permit;

(c) An employee must first check the customer's ID and check for signs of intoxication prior to activating the system;

(d) The system must be programmed to automatically deactivate after the beer has been dispensed;

(e) The amount of beer purchased by any one customer at one time is twenty-four ounces dispensed in twelve ounce servings.

(f) Employees must have the ability to deactivate the system both at the table and remotely, which allows the employee to control the amount of beer dispensed at all times.



## Washington State Liquor and Cannabis Board

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Ollie Garrett, Board Member  
Russ Hauge, Board Member

**From:** Karen McCall, Agency Rules Coordinator

**Copy:** Rick Garza, Agency Director  
Peter Antolin, Deputy Director  
Justin Nordhorn, Chief of Enforcement  
Becky Smith, Licensing Director

**Subject:** **Approval for filing proposed rules (CR 102) for the use of self-dispensing beer and wine machines**

This rulemaking is the result of a petition for rulemaking submitted by the liquor licensee of Tri-Cities Tap and Barrel, a tavern license. The licensee requested the board open rulemaking to allow the use of self-dispensing wine machines in on-premises retail licensed locations.

### Process

The Rules Coordinator requests approval to file proposed rules (CR 102) for the rule making described above. An issue paper on this rule was presented at the Board meeting on January 24, 2018, and is attached to this order.

If approved for filing, the tentative timeline for the rule making process is outlined below:

January 24, 2018	Board is asked to approve filing the proposed rules (CR 102 filing)
February 7, 2018	Code Reviser publishes notice, LCB sends notice to rules distribution list
March 7, 2018	Public Hearing held
March 7, 2018	End of written comment period
March 21, 2018	Board is asked to adopt rules
March 21, 2018	Agency sends notice to those who commented both at the public hearing and in writing.
March 21, 2018	Agency files adopted rules with the Code Reviser (CR 103)
April 21, 2018	Rules are effective (31 days after filing)

\_\_\_\_\_ Approve      \_\_\_\_\_ Disapprove      \_\_\_\_\_  
Jane Rushford, Chair      Date

\_\_\_\_\_ Approve      \_\_\_\_\_ Disapprove      \_\_\_\_\_  
Ollie Garrett, Board Member      Date

\_\_\_\_\_ Approve      \_\_\_\_\_ Disapprove      \_\_\_\_\_  
Russ Hauge, Board Member      Date

Attachment: Issue Paper

## **Issue Paper**

### **Acceptable forms of ID**

Date: January 24, 2018

Presented by: Karen McCall, Agency Rules Coordinator

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#### **Description of the Issue**

The purpose of this Issue Paper is to request approval from the Board to file proposed rules (CR 102) to revise WAC 314-11-025 What are the forms of acceptable identification?

#### **Why is rule making necessary?**

A petition for rulemaking was submitted by a private citizen requesting the board revise WAC 314-11-025 to allow NEXUS cards and passport cards to be acceptable forms of identification for purchasing alcohol.

#### **What changes are being made?**

**Amended Section. WAC 314-11-025 What are the forms of acceptable identification?** Added the NEXAS card and passport card to the list of acceptable forms of identification to verify a person's age.

**WAC 314-11-025 What are the forms of acceptable identification?**

(1) Following are the forms of identification that are acceptable to verify a person's age for the purpose of selling, serving, or allowing a person to possess or consume alcohol:

(a) Driver's license, instruction permit, or identification card of any state, or province of Canada, from a U.S. territory or the District of Columbia, or "identocard" issued by the Washington state department of licensing per RCW 46.20.117;

(b) United States armed forces identification card issued to active duty, reserve, and retired personnel and the personnel's dependents, which may include an embedded, digital signature in lieu of a visible signature;

(c) Passport, passport card, NEXAS card;

(d) Merchant Marine identification card issued by the United States Coast Guard; and

(e) Enrollment card issued by the governing authority of a federally recognized Indian tribe located in Washington, if the enrollment card incorporates security features comparable to those implemented by the department of licensing for Washington driver's licenses.

(2) If the identification document has an expiration date, a person may not use the document after the expiration date to verify his or her age.



## Washington State Liquor and Cannabis Board

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**Date:** January 24, 2018

**To:** Jane Rushford, Board Chair  
Ollie Garrett, Board Member  
Russ Hauge, Board Member

**From:** Karen McCall, Agency Rules Coordinator

**Copy:** Rick Garza, Agency Director  
Peter Antolin, Deputy Director  
Justin Nordhorn, Chief of Enforcement  
Becky Smith, Licensing Director

**Subject:** **Approval for filing proposed rules (CR 102) to revise rules for acceptable forms of identification WAC 314-11-025**

This rulemaking is the result of a petition for rulemaking submitted by a private citizen. The licensee has requested the board open rulemaking to revise the acceptable forms of identification for verifying a person's age for the purpose of selling, serving, or allowing a person to possess or consume alcohol.

### Process

The Rules Coordinator requests approval to file the proposed rules (CR 102) for the rule making described above. An issue paper on this rule was presented at the Board meeting on January 24, 2018, and is attached to this order.

If approved for filing, the tentative timeline for the rule making process is outlined below:

January 24, 2018	Board is asked to approve filing the proposed rules (CR 102 filing)
February 7, 2018	Code Reviser publishes notice, LCB sends notice to rules distribution list
March 7, 2018	Public Hearing held
March 7, 2018	End of written comment period
March 21, 2018	Board is asked to adopt rules
March 21, 2018	Agency sends notice to those who commented both at the public hearing and in writing.
March 21, 2018	Agency files adopted rules with the Code Reviser (CR 103)
April 21, 2018	Rules are effective (31 days after filing)

_____ Approve	_____ Disapprove	_____	_____
		Jane Rushford, Chair	Date

_____ Approve	_____ Disapprove	_____	_____
		Ollie Garrett, Board Member	Date

_____ Approve	_____ Disapprove	_____	_____
		Russ Hauge, Board Member	Date

Attachment: Issue Paper



## **Issue Paper**

### **2017 Liquor Legislation Implementation**

Date: December 13, 2017

Presented by: Karen McCall, Agency Rules Coordinator

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#### **Description of the Issue**

The purpose of this Issue Paper is to request approval from the Board to file revised proposed rules (Supplemental CR 102) to implement 2017 liquor legislation.

#### **Why is rule making necessary?**

New rules and revisions to current rules are needed to implement the following legislation that passed during the 2017 legislative session:

- **SHB 1176 Allows a liquor licensee that is allowed to sell growlers of beer and cider to sell growlers of mead.**
- **2SHB 1351 Creates a new off-premises retail license that allows the sale of spirits, beer, and wine at retail in bottles, can, and original containers.**
- **HB 1718 Creates a wine auction permit.**
- **SHB 1902 Creates a caterer's endorsement for a tavern license.**

#### **What changes are being made?**

**Amended Section WAC 314-02-060 What is a caterer's endorsement?** Added a tavern license to this rule. (SHB 1902)

**Amended Section. WAC 314-02-061 What is required for offsite storage of liquor under a caterer's endorsement?** Added a tavern licensee to this rule. (SHB 1902)

**New Section. WAC 314-02-092 What is a combination spirits, beer, and wine license?** Created a new section to implement 2SHB 1351.

**Amended Section. WAC 314-02-103 What is a wine retailer reseller endorsement?** Added the holder of a combination spirits, beer, and wine license to this rule to implement 2SHB 1351.

**Amended Section. WAC 314-38-020 Permits – Fees established.** Added language for a wine auction permit. (HB 1718)

**New Section. WAC 314-38-110 Nonprofit wine auction permit.** Created a new section for the wine auction permit to implement HB 1718.



AMENDATORY SECTION (Amending WSR 17-12-030, filed 5/31/17, effective 7/1/17)

**WAC 314-02-060 What is a caterer's endorsement?** (1) A spirits, beer, and wine restaurant ~~((and))~~, a beer and/or wine restaurant, and a tavern applicant or licensee may apply for a caterer's endorsement, in order to extend the on-premises license privilege to allow the sale and service of liquor at locations other than liquor licensed premises. See RCW 66.24.420(6) ~~((and))~~, 66.24.320(2), and 66.24.330 for more information about this endorsement.

(2) The annual fee for this endorsement is three hundred fifty dollars.

AMENDATORY SECTION (Amending WSR 09-02-012, filed 12/29/08, effective 1/29/09)

**WAC 314-02-061 What is required for ~~((offsite))~~ off-site storage of liquor under a caterer's endorsement?** A spirits, beer, and wine restaurant licensee with a caterer's endorsement, ~~((or))~~ a beer and/or wine restaurant licensee with a caterer's endorsement, or a tavern licensee with a caterer's endorsement, may store its alcohol at locations described in RCW 66.24.320, 66.24.330, and 66.24.420 that are not on the licensed premises if the following conditions are met:

(1) The licensee must display the approval letter for storing liquor at each location;

(2) Liquor storage must be within the event location where catering services for events are provided;

(3) If the location is one for which the licensee has an on-going contract or agreement to provide liquor service at catered events, the contract or agreement must include the following:

(a) Names of the parties;

(b) Location and address where on-going liquor catering services are provided;

(c) A sketch and description of the facility that includes where the liquor will be stored, how the liquor will be secured to ensure public safety, and the provisions that restrict access to the liquor storage area to the licensee and the licensee's employees; and

(d) Signatures of the parties.

(4) For locations owned or leased by the licensee and for which the licensee provides liquor service at catered events, the licensee must submit copies of documents that evidence the ownership or leasehold interest.

#### NEW SECTION

**WAC 314-02-092 What is a combination spirits, beer, and wine license?** (1) Per RCW 66.24.632, a combination spirits, beer, and wine license is a retail license that allows a licensee to sell beer and wine, including strong beer, at retail in bottles, cans, and original containers for off-premises consumption, and to:

(a) Sell spirits in original containers to consumers for off-premises consumption and to permit holders;

(b) Sell spirits in original containers to retailers licensed to sell spirits for consumption on the premises, for resale at their licensed premises according to the terms of their licenses. No single sale may exceed twenty-four liters; and

(c) Export spirits.

(2) A combination spirits, beer, and wine licensee that intends to sell to an on-premises retailer must possess a basic permit under the Federal Alcohol Administration Act. This permit must provide for purchasing distilled spirits for resale at wholesale. A copy of the federal basic permit must be submitted to the board. A federal basic permit is required for each location from which the combination spirits, beer, and wine licensee plans to sell to an on-premises retailer.

(3) A sale by a combination spirits, beer, and wine licensee is a retail sale only if not for resale to an on-premises spirits retailer. On-premises retail licensees that purchase spirits from a combination spirits, beer, and wine licensee must abide by RCW 66.24.630.

(4) A combination spirits, beer, and wine licensee must pay to the board seventeen percent of all spirits sales. (see WAC 314-02-109 for quarterly reporting requirements).

Reporting of spirits sales and payment of fees must be submitted on forms provided by the board.

(5) The board may issue a combination spirits, beer, and wine license:

(a)(i) For premises comprising at least ten thousand square feet of fully enclosed retail space within a single structure, including store rooms and other interior areas. This does not include any area encumbered by a lease or rental agreement; and

(ii) To applicants that the board determines will maintain appropriate systems for inventory management, employee training, employee supervision, and physical security of the product.

(b) For premises of a former contract liquor store; or

(c) To a holder of former state liquor store operating rights sold at auction.

(6) A spirits retail licensee may apply for a sampling endorsement to conduct spirits, beer, and wine sampling if they meet the following criteria:

(a) Be a participant in the responsible vendor program;

(b) Advertising:

(i) For combination spirits, beer, and wine retail licensees that are grocery stores, advertising samplings may not be placed in the windows or outside of the premises that can be viewed from the public right of way;

(ii) For combination spirits, beer, and wine retail licensees that are specialty stores, advertising of sampling may be advertised but not state that sampling is free of charge.

(c) Samplings are to be conducted in the following manner:

(i) Samplings service area and facilities must be located within the licensee's fully enclosed retail area and must be of a size and design that the licensee can observe and control persons in the area;

(ii) The licensee must provide a sketch of the sampling area. For combination spirits, beer, and wine licensees that are grocery stores, fixed or movable barriers are required around the sampling area to ensure that persons under twenty-one years of age and apparently intoxicated persons cannot possess or consume alcohol. For combination spi-

rits, beer, and wine licensees that are specialty stores, barriers are not required. The sketch is to be included with the application for the spirits sampling endorsement;

(iii) Each sample may be no more than one-half ounce of spirits, and no more than a total of one and one-half ounces of spirits samples per person during any one visit to the premises. Spirits samples may be altered with mixers, water, and/or ice. For combination spirits, beer, and wine licensees that are grocery stores, beer and wine samples must be two ounces or less, up to a total of four ounces per person during any one visit to the premises. For combination spirits, beer, and wine licensees that are specialty stores, each beer and wine sample must be two ounces or less and no more than ten ounces of beer and/or wine may be provided to a customer during any one visit to the premises;

(iv) For combination spirits, beer, and wine licensees that are grocery stores, the licensee must have food available for the sampling participants;

(v) Customers must remain in the service area while consuming samples;

(vi) All employees serving spirits, beer, or wine during sampling events must hold a class 12 server permit;

(vii) For combination spirits, beer, and wine licensees that are grocery stores, there must be at least two employees on duty when conducting sampling events;

(viii) Sampling activities are subject to RCW 66.28.305 and 66.28.040.

(d) Licensees are required to send a list of scheduled sampling events to their regional enforcement office at the beginning of each month. The date and time for each sampling must be included;

(e) The cost for a beer and wine sampling endorsement is two hundred dollars. There is no charge for a spirits sampling endorsement.

(7) A combination spirits, beer, and wine licensee may sell beer in kegs or other containers holding at least four gallons and less than five and one-half gallons of beer. See WAC 314-02-115 regarding keg registration requirements.

(8) A combination spirits, beer, and wine licensee may sell beer and wine over the internet. See WAC 314-03-020 regarding internet sales and delivery.

(9) A combination spirits, beer, and wine applicant or licensee that is a grocery store may apply for an international exporter endorsement for five hundred dollars a year, which allows the sale of beer and wine for export to locations outside the United States.

(10) A combination spirits, beer, and wine licensee may apply for an endorsement to sell beer and cider growlers.

(a) Beer and cider must be sold in sanitary containers provided by the purchaser, licensee or the manufacturer and filled by the employee at the time of purchase.

(b) The taps must be located behind a counter where only employees have access or the taps must have locks preventing use unless unlocked and operated by an employee.

(c) Only employees of the licensee are permitted to operate the taps.

(d) All employees operating a tap must hold a class 12 alcohol server permit.

(e) The cost for the endorsement is one hundred twenty dollars.

**WAC 314-02-103 What is a wine retailer reseller endorsement?**

(1) A wine retailer reseller endorsement is issued to the holder of a grocery store liquor license ~~((or))~~, the holder of a beer and/or wine specialty shop license, or the holder of a combination spirits, beer, and wine license to allow the sale of wine at retail to on-premises liquor licensees.

(2) For holders of a grocery store license: No single sale to an on-premises liquor licensee may exceed twenty-four liters.

(3) For holders of a beer and/or wine specialty shop license:

(a) No single sale may exceed twenty-four liters, unless the sale is made by a licensee that was formerly a state liquor store or contract liquor store.

(b) May sell a maximum of five thousand liters of wine per day for resale to retailers licensed to sell wine for consumption on the premises.

(4) A grocery store licensee or a beer and/or wine specialty shop licensee with a wine retailer reseller endorsement may accept delivery at its licensed premises or at one or more warehouse facilities registered with the board.

(5) The holder of a wine retailer reseller endorsement may also deliver wine to its own licensed premises from the registered warehouse; may deliver wine to on-premises licensees, or to other warehouse facilities registered with the board. A grocery store licensee or a beer and/or wine specialty shop licensee wishing to obtain a wine retailer reseller endorsement that permits sales to another retailer must possess and submit a copy of their federal basic permit to purchase wine at wholesale for resale under the Federal Alcohol Administration Act. A federal basic permit is required for each location from which the grocery store licensee or beer and/or wine specialty shop licensee holding a wine retailer reseller endorsement plans to sell wine to another retailer.

(6) The annual fee for the wine retailer reseller endorsement for a grocery store licensee is one hundred sixty-six dollars.

(7) The annual fee for the wine retailer reseller endorsement for a beer and/or wine specialty shop licensee is one hundred ten dollars.

(8) Sales made under the reseller endorsement are not classified as retail sales for taxation purposes.

AMENDATORY SECTION (Amending WSR 17-08-099, filed 4/5/17, effective 5/6/17)

**WAC 314-38-020 Permits—Fees established.** The fees for permits authorized under RCW 66.20.010 are hereby established as follows:

(1) A fee of five dollars is established for a special permit as authorized by RCW 66.20.010(1).

(2) The fee for a special permit as authorized by RCW 66.20.010(2) for purchase of five gallons or less is established as five dollars and for purchase of over five gallons is established as ten dollars.

(3) A fee for a banquet permit, as authorized by RCW 66.20.010(3), is established in WAC 314-18-040.

(4) The fee for a special business permit, as authorized by RCW 66.20.010(4), is established in WAC 314-38-010(2).

(5) The fee of ten dollars is established for a special permit as authorized by RCW 66.20.010(5).

(6) A fee of five dollars is established for a special permit as authorized by RCW 66.20.010(6).

(7) A special permit as authorized by RCW 66.20.010(7) shall be issued without charge to those eligible entities.

(8) The fee of twenty-five dollars is established for a special permit as authorized by RCW 66.20.010(8).

(9) The fee of twenty-five dollars is established for a special permit as authorized by RCW 66.20.010(9).

(10) The fee of thirty dollars is established for a special permit as authorized by RCW 66.20.010(10).

(11) The fee of seventy-five dollars is established for a special permit as authorized by RCW 66.20.010(11).

(12) The fee of ten dollars is established for a special permit as authorized by RCW 66.20.010(13).

(13) The fee of ten dollars is established for a special permit as authorized by RCW 66.20.010(14).

(14) The fee of ten dollars is established for a special permit as authorized by RCW 66.20.010(15).

(15) The fee of twenty-five dollars is established for a special permit as authorized by RCW 66.20.010(16).

(16) The fee of twenty-five dollars is established for a special permit as authorized by RCW 66.20.010(17).

#### NEW SECTION

**WAC 314-38-110 Nonprofit wine auction permit.** (1) A nonprofit auction permit is for a nonprofit organization to sell wine through a private auction not open to the public.

(2) The nonprofit organization must complete a nonprofit wine auction permit application and submit the application and fee to the WSLCB.

(a) The date and location of the auction must be specified on the application.

(b) The one-time event fee is twenty-five dollars multiplied by the number of wineries that are selling wine at the auction event.



(c) A list of event attendees must be submitted with the wine auction permit application.

(3) The holder of the permit may conduct wine tastings of the wine to be auctioned at the event.

(4) All wine sold by auction cannot be consumed during the event.

(5) Wine from multiple wineries may be sold at the auction. Each winery must be listed on the application.

(6) The permit must be posted in a conspicuous location at the premises for which the permit was issued during all times the permit is in use.