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## Washington State Liquor Cannabis Board Meeting

Wednesday, February 21, 2018, 10:00 a.m.  
LCB Headquarters - Boardroom  
3000 Pacific Avenue SE, Olympia WA 98501

### Meeting Minutes

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#### 1. CALL TO ORDER

Chair Jane Rushford called the regular meeting of the Washington State Liquor and Cannabis Board to order at 10:00 a.m. on Wednesday, February 21, 2018. Members Ollie Garrett and Russ Hauge were also present. Chair Rushford first acknowledged her fellow Board members and thanked everyone in the room for their participation.

#### 2. APPROVAL OF MEETING MINUTES

MOTION: Member Hauge moved to approve the January 10, 2018, meeting minutes.

SECOND: Member Garrett seconded.

ACTION: Motion passed unanimously.

#### 3. ACTION ITEMS (A-C)

##### **ACTION ITEM 3A - Board Adoption of CR 101 for Breweries and Wineries for 314-20 WAC and 314-24 WAC**

Janette Benham, Policy and Rules Coordinator, began the briefing with materials (HANDOUTS 3A 1-2).

This will address considerations that weren't included in rules that the Board adopted in December of 2017. During the final stages of rulemaking to review chapter 314-20 WAC and chapter 314-24 WAC in December of 2017, several comments were received that indicated a need to further review rules regarding alternating proprietorships for breweries and wineries and internet sales and deliveries for wineries. For this reason, the chapters need to be reopened in order to conduct a more in-depth review. This rulemaking will address those concerns and other items as needed.

Timeline

February 21, 2018	Board is asked to approve filing the pre-proposal statement of inquiry (CR 101)
March 7, 2018	Code Reviser publishes notice, LCB sends notice to rules distribution list
April 7, 2018	End of written comment period
April 18, 2018	Board is asked to approve filing the proposed rules (CR 102 filing)
May 2, 2018	Code Reviser publishes notice, LCB sends notice to rules distribution list
May 30, 2018	Public Hearing held
May 30, 2018	End of written comment period
June 13, 2018	Board is asked to adopt rules
June 13, 2018	Agency sends notice to those who commented both at the public hearing and in writing.
June 13, 2018	Agency files adopted rules with the Code Reviser (CR 103)
July 16, 2018	Rules are effective (31 days after filing)

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

MOTION: Member Garrett moved to approve the filing of proposed CR 101 for Breweries and Wineries for 314-20 WAC and 314-24 WAC

SECOND: Member Hauge seconded.

ACTION: Motion passed unanimously.

**ACTION ITEM 3C - Board Approval of CR 101 for Complete Meals for Spirits, Beer, and Wine Restaurants**

Karen McCall, Senior Policy and Rules Coordinator, began the briefing with materials (HANDOUTS 3C 1-2). This is something that we have been thinking about for a while. Our food service requirements for a spirits, beer, and wine restaurant are eight complete meals which include an entrée and a side dish. What we've found recently is there a lot of cultural restaurants that don't traditionally serve an entrée and a side dish -- it's all one. It doesn't make sense to require them to have a side dish when that's not a part of the

meal. We are going to revise these to include other types of meals such as sushi, pho, tapas, and not require a side dish. A side dish can be available if a customer wants to purchase it, but it's not required as a part of the rules.

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July 16, 2018	Rules are effective (31 days after filing)

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

**MOTION:** Member Hauge moved to approve the filing of proposed CR 101 for Complete Meals for Spirits, Beer, and Wine Restaurants.

**SECOND:** Member Garrett seconded.

**ACTION:** Motion passed unanimously.

### **ACTION ITEM 3B - Board Adoption of Interim Policy for Complete Meals for Spirits, Beer, and Wine Restaurants**

Karen McCall, Senior Policy and Rules Coordinator, began the briefing with materials (HANDOUT 3B 1).

This interim policy has in it what I've already stated to you. We would like to get the interim policy done so we could approve licenses that come in during rulemaking process that meet the new requirements.

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

**MOTION:** Member Hauge moved to approve the Interim Policy for Complete Meals for Spirits, Beer, and Wine Restaurants

**SECOND:** Member Garrett seconded.

**ACTION:** Motion passed unanimously.

#### **4. GENERAL PUBLIC COMMENT**

Chair Rushford invited citizens to address the Board regarding any issues related to LCB business.

##### Don Skakie – Real Legalization

Mr. Skakie stated that had been following the traceability issue and asked where it stood now.

Chair Rushford informed that the Board had arranged for the program experts to be here after the meeting to talk with those that have questions about the traceability transition.

##### Preston Peck – Washington Sungrowers Industry Association

Mr. Peck stated that has spoken with many members of the WSIA who continue to face problems with the traceability program.

This is causing them to lose a lot of money in the process. We're talking about thousands and tens of thousands of dollars for individual businesses. And, much more than that on a greater scale because this problem isn't limited to WSIA. This affects the Cannabis Alliance, WACA, and other industry trade organizations. There is a need for some sort of relief on this. This is becoming unbearable for a lot of our members and people are being brought to the edge of maintaining their business.

There are some groups that I've heard are not having problems and that things are going smoothly and I firmly believe that. However, the problem with that is that these businesses are probably the ones with more resources available to endure the process, causing disparity in the industry as to who is able to maintain and who is not. That puts things on an uneven playing field.

Lastly, I wanted to thank the Board for their opinion on the harvest date removal. That will be a great elimination of a barrier for not only our group but many others as well. Not just outdoor growers but indoor growers that choose to cure their product for a longer period of time. I would encourage the Board, we will be commenting on this, to move to immediate implementation of that upon adoption of the rules. Thank you for your time, I look forward to talking with you further.

Jeremy Moberg – Washington Sungrowers Industry Association/CannaSol

Mr. Moberg stated that wanted to express his concerns as the president of the WSIA and as an integrator and business runner running CannaSol Farms.

I'll speak from my personal experience, I think that's the best way to look at the lens of the disruption that the MJ Freeway traceability transition has occurred. I just got an email yesterday from my processing manager that was two pages long. It has really caused a lot of disruptions. We can't get BioTrack to come up. We also can't get MJ Freeway. It's like jello. We squeeze one problem and it's just over here. It's really difficult to explain to the Board what the problem is. I understand the desire to go through and work our way through all these problems, but they seem to be compounding and getting worse. Ultimately, they are causing a huge disruption in the industry.

I have been going to retailers this week and every single retailer has had some issue. Either they have had to re-sticker product on their shelves or they've had to hold product in the back. I know one retailer that did not accept an order from Buddy Boy because their backroom was full and they can't get their stuff into the system. I don't think that it's easy to look at this and say "what are the problems and how can they be fixed" because they just seem to be compounding. The financial impact is growing. I had hoped at this point that we would have a different story to tell and that people would be moving product through the system. That doesn't seem to be what is happening.

I'm not sure what the solution is at this point, but I think that it's important for the Board to really look at the economic impact that this is having on businesses. It is big. I don't think we are hearing a lot from the industry because everybody is trying to get things out the door and stay afloat. I'm hearing from various processor managers that a normal order is now taking two to three times as long to get out. Some people want the UCS code, some people want the global identity. I've seen retailers re-sticker with the global identity. I've see retailers re-sticker with the UCS identity.

The bottom line is that it is hugely disruptive and is costing the industry a lot of money and causing businesses harm. I hope that we can start thinking about other options and that we can move to a reporting based system that not only protects financial information but is not hackable. I believe that there are solutions that are out there and they are readily available and could be implemented quickly. I hope the Board considers the impact that this transition is having and the continued impact that it is having. From my understanding of the industry is that is not getting better it is getting worse. Thank you for your time.

Rick Garza – Agency Director

Director Garza stated that he wanted to provide some information for the cannabis licensees that were here.

At this very moment, Mary Mueller our IT director, has brought the third-party integrators into a webinar to deal with the issues. What you just heard is what we are hearing, that the third-party integrators are having difficulty moving into MJ Freeway. Because some of those folks aren't present here I do have some staff that will be available for licensees, to answer questions that you might have as we continue to work around this.

One of the things that I just heard was “I don’t know what the problem is”. I think we have to be very specific when we get information about what the problem is. Whether it’s systemic, a bigger issue with respect to the system itself or whether it’s a particular issue that a licensee is having in maneuvering through the system whether they are using a third-party integrator or not. The vast majority, 75%-80%, of our licensees are using a third-party integrator. That appears to be where a lot of the problems live.

We continue to work on this day and night. I just wanted to let the Board and licensees know that we are really trying to address the issue that I think largely is between the integrators and the system that we have. Thank you, Madam Chair.

Chair Rushford asked if there were any more comments. There were none.

Chair Rushford thanked everyone for their participation and contributions.


## ADJOURN

Chair Rushford adjourned the meeting at 10:15 a.m..

Minutes approved this 7 day of MARCH, 2018

  
Jane Rushford  
Board Chair

  
Ollie Garrett  
Board Member

  
Russ Hauge  
Board Member

Minutes prepared by: Dustin Dickson, Executive Assistant to the Board

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

Complete meeting packets are available online: [http://lcb.wa.gov/boardmeetings/board\\_meetings](http://lcb.wa.gov/boardmeetings/board_meetings)  
For questions about agendas or meeting materials you may email [dustin.dickson@lcb.wa.gov](mailto:dustin.dickson@lcb.wa.gov) or call 360.664.1717