



Washington State Liquor Cannabis Board Meeting

Wednesday, December 13, 2017, 10:00 a.m.
LCB Headquarters - Boardroom
3000 Pacific Avenue SE, Olympia WA 98501

Meeting Minutes

1. CALL TO ORDER

Acting Chair Ollie Garrett called the regular meeting of the Washington State Liquor and Cannabis Board to order at 10:00 a.m. on Wednesday, December 13, 2017. Member Hauge was also present. Acting Chair Garrett first acknowledged her fellow Board members and thanked the staff for their efforts in preparing for the Board meeting.

2. APPROVAL OF MEETING MINUTES

Approval of the November 29, 2017 minutes were postponed.

3. ACTION ITEMS (A-D)

ACTION ITEM 3A - Board Approval to File a CR 101 for Cannabis Production Rules

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

This CR 101 will initiate the rulemaking process for cannabis production and canopy rule changes regarding the cannabis production canopy relating to supply and demand for cannabis in Washington State. The rule change proposals will address how the LCB may adjust canopy amounts to keep pace with demand for cannabis products, increases or decreases, should adjustments become necessary. Any adjustments would have to be substantiated with some sort of evidence for their necessity or advisability.

Our current rule under WAC 314-55-075 which is our producer license rule in subsection (7) and (8), includes some provisions for reductions in individual canopy or for exceeding all canopy, but does not address other instances where canopy adjustments may be advisable or required, including any increases. Again, any changes to these canopy amounts, increases or decreases, would require the LCB to have information to make that determination. The rule proposals will provide the conditions and parameters under which additional canopy adjustments might be made.

At this time no language has been developed. The CR 101 will initiate the conversation on how this may be accomplished and also solicits input from our stakeholders in the public. To ensure the stakeholders in the public understand the purpose this proposed rulemaking, if the Board approves the filing of the CR 101 today I'll be sure to include the issue paper presented to the Board when we send out notice of the rulemaking so it is clear as to the purpose of the proposed rulemaking is.

As you know, we also have a newly formed unit, the canopy measurement team, so that we can get better and more information in addition to what is already available to us through our traceability system. We've also clarified the functions of what that new unit does - how they perform their operations with our industry stakeholders. The information we obtain from the efforts of that team will also inform the application of any rules developed.

Timeline

December 13, 2017	Board is asked to approve filing the pre-proposal statement of inquiry (CR 101)
January 3, 2018	Code Reviser publishes notice, LCB sends notice to rules distribution list
January 31, 2018	End of written comment period
February 7, 2018	Board is asked to approve filing the proposed rules (CR 102 filing)
February 21, 2018	Code Reviser publishes notice, LCB sends notice to rules distribution list
March 21, 2018	Public Hearing held
March 21, 2018	End of written comment period
April 4, 2018	Board is asked to adopt rules
April 4, 2018	Agency sends notice to those who commented both at the public hearing and in writing.
April 4, 2018	Agency files adopted rules with the Code Reviser (CR 103)
May 5, 2018	Rules are effective (31 days after filing)*

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

Member Hauge stated that his understanding in undertaking this rulemaking, one of our primary goals is to address potential concerns at the federal level with diversion of product that is meant for the Washington market outside of Washington's borders. He asked if that was accurate.

Ms. Eide confirmed, and said the amount of cannabis within Washington State is relevant to the discussion about keeping that cannabis within Washington State borders, and in compliance with the guidelines set forth in the Cole Memorandum. That information will be brought into this rulemaking and considered as we move forward in the process.

Member Hauge asked for confirmation that our task is to make sure that we are not producing cannabis to the extent in Washington that it will leak over our borders.

Ms. Eide confirmed.

Member Hauge thanked Ms. Eide for clarifying and stated that he had no further questions.

MOTION: Member Hauge moved to approve the filing of the CR 101 for Cannabis Production Rules

SECOND: Member Garrett seconded.

ACTION: Motion passed unanimously.

ACTION ITEM 3B - Board Approval to file a CR 101 for Spirit Mini Bottles

Karen McCall, Sr. Agency Rules Coordinator, began the briefing with materials (HANDOUTS 3B 1-2). She provided a brief background noting that the Board has received concerns regarding the placement of mini spirits bottles in stores that minors frequent. This rulemaking will address those concerns.

Timeline

December 13, 2017	Board is asked to approve filing the pre-proposal statement of inquiry (CR 101)
January 3, 2018	Code Reviser publishes notice, LCB sends notice to rules distribution list
February 3, 2018	End of written comment period
February 14, 2018	Board is asked to approve filing the proposed rules (CR 102 filing)
March 7, 2018	Code Reviser publishes notice, LCB sends notice to rules distribution list
March 28, 2018	Public Hearing held
March 28 28, 2018	End of written comment period
April 11, 2018	Board is asked to adopt rules
April 11, 2018	Agency sends notice to those who commented both at the public hearing and in writing.
April 11, 2018	Agency files adopted rules with the Code Reviser (CR 103)

May 15, 2018	Rules are effective (31 days after filing)
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Ms. McCall then requested approval from the Board to file proposed rules.

MOTION: Member Hauge moved to approve the filing of a CR 101 for Spirit Mini Bottles

SECOND: Member Garrett seconded.

ACTION: Motion passed unanimously.

ACTION ITEM 3C - Board Approval to file a Supplemental CR 102 for 2017 Liquor Legislation Implementation

Karen McCall, Sr. Agency Rules Coordinator, began the briefing with materials (HANDOUTS 3C 1-4). She provided a brief background noting that several alcohol bills passed during the 2017 legislative session. Rules are needed to implement the legislation. The supplemental CR 102 is necessary due to changes in the original proposed rules for the combination spirits, beer, and wine off-premises liquor license.

Proposed Changes

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.

Timeline

December 13, 2017	Board is asked to approve filing the proposed rules (CR 102 filing)
January 3, 2018	Code Reviser publishes notice, LCB sends notice to rules distribution list
January 24, 2018	Public Hearing held
January 24, 2018	End of written comment period
February 7, 2018	Board is asked to adopt rules
February 7, 2018	Agency sends notice to those who commented both at the public hearing and in writing.
February 7, 2018	Agency files adopted rules with the Code Reviser (CR 103)
March 10, 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 a Supplemental CR 102 for 2017 Liquor Legislation

SECOND: Member Garrett seconded.

ACTION: Motion passed unanimously.

ACTION ITEM 3D - Board Adoption of CR 103 for Non-Retail Rules Review

Karen McCall, Agency Rules Coordinator, began the briefing with materials (HANDOUTS 3D 1-4). As part of the Liquor and Cannabis Board's on-going rules review process, rules in the following WAC Chapters are being reviewed for relevance, clarity, and accuracy:

- Chapter 314-20 Beer – Brewers, holders, importers, etc.
- Chapter 314-24 Domestic wineries and domestic wine distributors
- Chapter 314-28 Distillers

Rules are also proposed to implement the following bills passed in the 2017 legislative session:

- SHB 1038 – increasing the number of tasting rooms allowed for wineries
- SSB 5589 – Addresses promotional items and spirits sampling at a distillery
- ESB 5834 – Creates a bonded and non-bonded spirits warehouse

Proposed Changes

Amended Section. WAC 314-20-001 Definitions. Clarified this section by referring to RCW 66.04.010 for definitions.

Amended Section. WAC 314-20-015 Licensed brewers – Retail sales of beer on brewery premises – Beer served without charge on premises – Spirit, beer, and wine restaurant operation. Added language to include the conditions where licensed beer manufacturers and their employees may sample beer of their own manufacture.

Amended Section. WAC 314-20-017 Brewery and microbrewery retail liquor licenses – Selling kegs and containers. Removed definitions and clarified the sale of kegs and containers of beer (growlers) were for off-premises consumption.

Amended Section. WAC 314-20-018 Farmer’s market beer and wine sampling. Clarified that sealed bottles of wine and/or beer can be sold at retail at a farmer’s market.

Amended Section. WAC 314-20-020 Beer labels – Certificate of label approval required – Labels to be submitted. Clarified that a copy of the federal certificate of label approval must be submitted to the board for any beer intended for sale in the state of Washington.

Amended Section. WAC 314-20-030 Packages – Classification. Minor language cleanup.

Amended Section. WAC 314-20-055 Microbrewery warehouse license. Clarified what can be stored at a microbrewery warehouse and included language that microbreweries may not share warehouse space.

Amended Section. WAC 314-20-090 Cash sales. Minor language cleanup.

Amended Section. WAC 314-20-100 Beer suppliers and distributors. Added language that third-party delivery is prohibited.

Amended Section. WAC 314-20-110 Beer importers – Principal office. Removed the words “or by telegraph” from the rule.

Repealed Section. WAC 314-20-120 Beer importers – Warehouses.

Repealed Section. WAC 314-20-170 Holders of certificate of approval.

New Section. WAC 314-20-260 Consumer orders, internet sales, and delivery for domestic brewery and microbrewery licensees. Added the requirements for internet sales and delivery to customers.

Amended Section. WAC 314-24-001 Definitions. Clarified this section by referring to RCW 66.04.010 for definitions.

Amended Section. WAC 314-24-003 Standards of identity for wine. Removed federal language and referred to the standards set forth by TTB.

Amended Section. WAC 314-24-006 Substandard wines prohibited. Referred to standards set forth by TTB.

New Section. WAC 314-24-008 Application procedure for domestic wineries. Included the application procedure in rule.

Amended Section. WAC 314-24-040 Wine labels – Federal certificate of label approval required – Labels to be submitted. Referred to TTB.

Amended Section. WAC 314-24-060 Quality standards. Removed federal language and referred to minimum requirements set by the TTB.

Amended Section. WAC 314-24-070 Domestic wineries – Purchase and use of bulk wines, brandy, or wine spirits – Import permit required – Records – Wine returned to Washington. Added the words “of this section” for clarity.

Amended Section. WAC 314-24-080 Containers – Sizes and types permitted. Removed federal language and referred to TTB.

Amended Section. WAC 314-24-090 Wine labels. Clarified all labels must be approved by TTB and the COLA must be submitted to the board. For labels not requiring federal COLA, a form prescribed by the board shall be completed and submitted to the board for approval.

Amended Section. WAC 314-24-100 Domestic wineries – Responsibility for fruits used – Records. Clarified records must be kept for a minimum of three years.

Amended Section. WAC 314-24-105 Application procedure - Wine distributor’s or importer’s license. Clarified a copy of an approved wholesaler permit issued by TTB must be included with the application.

Amended Section. WAC 314-24-115 Wine importers – Requirements. Clarified each wine importer must notify the board of the principal office not less than 30 days prior to any change in the location of the office. Included language that the board must approve the location of any warehouse where wine is stored.

Amended Section. WAC 314-24-117 Wine certificate of approval. Removed the fees. They can be found in RCW.

Amended Section. WAC 314-24-120 Importation of foreign wine – United States wineries – Reports – Records. Clarified language allowing Wine COAs to ship wine to licensed wine importers and/or distributors.

Amended Section. WAC 314-24-160 Domestic wineries – Retail sales of wine on winery premises – Wine served without charge on premises – Spirit, beer and wine restaurant operation. Added reference to WAC 314-24-006 for conditions to sell wine for off-premises consumption in sanitary

containers. Clarified that wineries holding a retail license must follow the appropriate rules for the retail license. Clarified when licensees and their employees may sample wine of their own production.

Amended Section. WAC 314-24-161 Changed the number of additional locations allowed from two to four. Included language that licensees applying for an additional location where other wineries are location must provide a letter from each winery sharing the additional location that acknowledges and accepts the conditions of the subsection. Removed the prohibition on free samples at the additional location.

Amended Section. WAC 314-24-190 Wine suppliers and distributors. Clarified guidelines on distributor changes.

Amended Section. WAC 314-24-220 Licensing and operation of a bonded wine warehouse. Clarified records must be kept on hand at the bonded wine warehouse for a period of three years. Corrected the name of the board.

New Section. WAC 314-24-265 Defining wine of a winery's own production. Clarified in rule Board Interim Policy 08-2011.

Amended Section. WAC 314-28-030 What does a distillery license allow? Added language that samples may be altered with nonalcoholic mixers, and mixers with alcohol of the distiller's own production. Clarified the maximum amount of alcohol per person per day is two ounces. (SSB 5839)

Amended Section. WAC 314-28-050 What does a craft distillery allow? Added language that samples may be altered with nonalcoholic mixers, and mixers with alcohol of the distiller's own production. Clarified the maximum amount of alcohol per person per day is two ounces. (SSB 5589)

Amended Section. WAC 314-28-070 What are the monthly reporting and payment requirements for a distillery and craft distillery license? Removed dates from the rule.

Amended Section. WAC 314-28-080 What if a distillery or craft distillery licensee fails to report or pay or reports or pays late? Removed the reference to WAC 314-28-070.

Amended Section. WAC 314-28-090 Distilleries or craft distilleries – Selling out of state. What are the requirements for a craft distillery licensee to sell its spirits product outside the state of Washington? Changed 60,000 proof gallons to 150,000 proof gallons.

Amended Section. WAC 314-28-100 Consumer orders, internet sales and delivery for distillery and craft distillery licensees. Added language allowing the use of internet or mobile applications for retail customers to purchase alcohol under certain conditions.

New Section. WAC 314-28-210 Return of spirits by retailer – Replacement – Conditions. Added a section that allows a retailer to return spirits product to a distributor under certain conditions.

New Section. WAC 314-28-220 Bonded and non-bonded spirits warehouse. Created a new section to implement ESB 5834

Timeline

At the Board meeting on December 13, 2017, the rules coordinator requests that the Liquor and Cannabis Board approve the final rulemaking (CR 103) for non-retail rules.

The Board was briefed on the rule making background and public comment for this rule making. An issue paper is attached.

If approved, the Rules Coordinator will send an explanation of the rule making to all persons who submitted comments.

After sending this explanation, the Rules Coordinator will file the rules with the Office of the Code Reviser. The effective date of the rules will be 31 days after filing.

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

MOTION: Member Hauge moved to adopt the CR 103 for Non-Retail Rules Review

SECOND: Member Garrett seconded.

ACTION: Motion passed unanimously.

4. GENERAL PUBLIC COMMENT

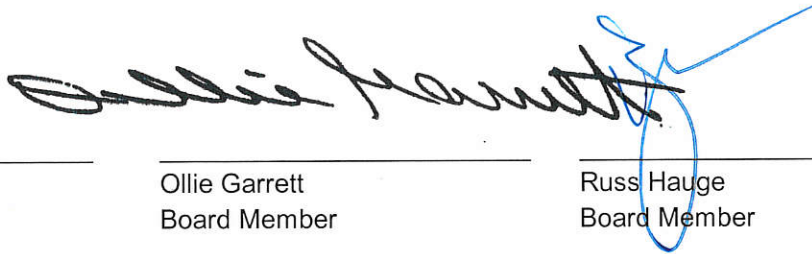
Acting Chair Garrett invited citizens to address the Board regarding any issues related to LCB business. There were no comments.

ADJOURN

Acting Chair Garrett adjourned the meeting at 10:09 a.m.

Minutes approved this 10 day of JANUARY, 2018

Not Present



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.

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For questions about agendas or meeting materials you may email dustin.dickson@lcb.wa.gov or call 360.664.1717