



Board Caucus Meeting

Tuesday, April 27, 2021, 10:00am

This meeting was held via conference call

Meeting Minutes

CAUCUS ATTENDEES

Chair David Postman
Member Ollie Garrett
Member Russ Hauge
Dustin Dickson, Executive Assistant

GUESTS

Rick Garza, Agency Director
Kathy Hoffman, Policy and Rules Manager
Audrey Vasek, Policy and Rules Coordinator

APPROVAL OF MEETING MINUTES

Chair Postman announced the consideration of minutes would be postponed until later in the meeting.

AGENCY UPDATES

Rick opened by informing the legislative session adjourned on Sunday night. He noted that the LCB agency request bill extending the allowances with respect to alcohol moved forward. Rick said that the agency was also tracking revisions to the social equity bill. He noted that Chris Thompson would likely update the Board on this bill at the next Executive Management Team meeting.

Rick moved on to review takeaways from the last Small Agency Cabinet meeting, including an update from Dr. Shaw, the Secretary of the Department of Health (DOH), that issued concern over the hospital admission rate increase and concerns about another wave of COVID-19 cases. He said the Dr. stressed the "Three W's" which are: wearing masks, watching distance and washing hands. Rick added that almost five million of the state's 7.6 million had received at least one dose of vaccine.

Rick informed that he would be meeting later in the week with the Director of the new Equity Office, Dr. Karen Johnson. She will be developing a five-year strategic equity plan and she will be seeking input from Cabinets, Boards and Commission leaders. Rick offered to further update the Board as appropriate.

Rick shared that CANNRA (Cannabis Regulators Association) recently held a webinar on social equity. Programs from Illinois and Los Angeles were reviewed. The focus of the conversation was what to do "up front" when creating social equity programs. Rick felt the meeting was very insightful and that the presenters offered to help individual states get their programs running.

David asked about the plan for reinvestment in the cannabis industry, and if portions of cannabis revenue would be allotted to community projects. Rick confirmed, sharing that Illinois had plans for a 50-million-dollar reinvestment fund that was created using cannabis revenue. He noted that Washington anticipated

collecting one billion dollars over the next biennium and that discussions were underway on how a fund could be developed to give back to the communities. David looked forward to learning more about the social equity bill when it is reviewed, including whether it touches on the possibility of reinvestment.

David asked if Ollie had anything to add on the bill or the Task Force. Ollie said there hadn't been much discussion on the bill since it passed, but there were a lot of questions in the discussion at the Task Force Licensing Workgroup last week and she looked forward to regrouping to discuss the bill. Rick noted there were several LCB staff on the Workgroup call taking notes and could help facilitate the upcoming reviews. David suggested Chris Thompson reach out to Ollie in preparation for the EMT discussion.

Russ added that he felt the agency was making good progress and wanted to know if we were working with jurisdictions like Seattle and Tacoma to see if they want any more retail licenses. He felt this information would be key to informing decisions in anything the agency does in social equity and creating more opportunity. Rick agreed to have Becky prepare a report on this topic.

APPROVAL OF MEETING MINUTES

MOTION: Member Garrett moved to approve the April 13, 2021, Board caucus minutes

SECOND: Chair Postman seconded.

ACTION: Chair Postman approved the motion.

MOTION: Member Hauge moved to approve the April 20, 2021, Board caucus minutes

SECOND: Member Garrett seconded.

ACTION: Chair Postman approved the motion.

BOARD MEETING PREP AND RULES UPDATE

Kathy provided an update regarding cannabis related rulemaking, including:

- Quality Control Rules
 - Responsive document shared on April 16
 - Recording from “deliberative dialogues” posted as well
- Criminal History Background Checks
 - “Listen and learn” scheduled for May 13
 - Proposal should be ready mid to late June
- Permanent Rules on Vitamin E Acetate
 - No comments received on CR 101 to date, comment period open until May 21
 - CR 102 scheduled for May 26

Kathy moved on to Board meeting preparation, including:

- Rescind emergency prohibition on vitamin E acetate – State Board of Health (SBOH) now has permanent rules
- Rescind emergency vitamin E acetate disclosure form requirement – this was made permanent February 17, effective March 20

- Adoption of emergency rules regarding WAC 314-55-077 and 079, establishing Board authority to enforce SBOH vitamin E acetate prohibition

David noted there were a lot of things changing in regards to rules around vitamin E acetate, and suggested developing a summary of everything that has happened and what the future timeline holds. Kathy agreed that would be beneficial to everyone.

- CR 102 for Tier I Expansion
 - Expands canopy from up to “2,000 square feet” to “up to 4000 square feet”
 - Adjustment for Tier II licensees from “2,000-10,000 square feet” to “4,000-10,000 square feet”
 - Rules originally opened in December, 2019 – stakeholder engagement intended to develop rules was delayed by COVID-19
 - Two “listen and learn” sessions in June, 2020
 - Should provide more value to Tier I licenses in the future

David and the Board thanked Kathy for the update.

Audrey provided an alcohol related rulemaking update, including:

- Distillery Reporting and Payment
 - CR 102 approved on April 14
 - Public hearing scheduled for May 26
 - One public comment received thus far
- Summary Suspension and Stay Provisions to Enforce Governor's Proclamations
 - CR 101 approved on April 14
 - One comment received thus far
- Implementation of 2021 Legislation – E2SHB 1480 (COVID-19 allowances)
 - CR 101 anticipated for May 12
 - Bill took effect April 14
 - Allows certain privileges for liquor licensees to continue through June 30, 2023

Audrey moved on to Board meeting preparation, including:

- Implementation of 2020 Legislation – E2SSB 5549 (Distilleries)
 - Public hearing on the supplemental CR 102
 - Public comment period opened on March 17 and will remain open until close of business tomorrow, April 28
 - No comments received thus far
 - If not substantive changes, could be adopted May 12

David and the Board thanked Audrey for the update.

BOARD MEMBER AND EXECUTIVE ASSISTANT REPORTS

Russ shared that he had a conversation with Crystal Oliver and other representatives from the Washington Sungrowers Industry Association (WSIA) about synthetic cannabis issues. He said that he reassured them that the agency was aware of the issue and was working with other agencies toward a collaborative solution. Russ said Crystal gave anecdotal evidence of the negative impact Delta-8 is having on her clientele. He added he asked her how this was affecting producer/processors and if he

could be put in touch with someone in that field. Russ said he would report back on what he is able to find out through further possible conversations.

David said he's received mixed messages from the industry depending on what part of the industry they are in. He reiterated that Kathy was actively working with other agencies on a solution.

Kathy informed that LCB has met with the Department of Agriculture, DOH, SBOH and the Pharmacy Commission to assure our agency's direction at this point. She said the agencies agreed to continue to meet and review concerns around Delta-8 and other THC isomers. Kathy acknowledged Delta-8 had not been a front-line concern yet for the other agencies, likely because the LCB is in closer proximity to the regulated market. She added the Pharmacy Commission decided to go forward with a broad definition of THC as they consider implications of Delta-8.

Russ added that he was aware of the issues and agreed with the path Kathy was taking. He said he reassured WSIA that the LCB was going to do something and needed to be thoughtful and make sure it was right.

David agreed there was concern and some skepticism in the industry, but there was a strong consensus in the agency that we want to act as soon as possible. He thanked Russ for taking the lead on the issue for the Board. Ollie thanked Kathy for informing her about Delta-8 last week and keeping her in the loop along the way. David offered his appreciation for the work of our public health representatives, Sara and Gillian.

Kathy went on to say it was a multi-dimensional issue. She said the hemp industry is becoming more interested in what agencies are doing across the country, and shares different opinions within their industry on how state governments should respond. Kathy underscored that anecdotal impacts being presented were very different from impacts supported by data. She felt the LCB has the issue well managed and should be able to continue moving forward in the coming weeks, if not days.

David thanked everyone for their input and reminded of the Board meeting tomorrow at 10:00 am.

TAKEAWAYS

- Ollie and Chris: prepare for EMT discussion on the social equity bill
- Rick: have Becky prepare a presentation on responses from jurisdictions on where they stand on the possibility of creating additional licenses

Meeting adjourned at 10:39am.

Minutes approved this 4th day of May, 2021.



David Postman
Board Chair



Ollie Garrett
Board Member



Russ Hauge
Board Member

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