



Board Caucus Meeting

Tuesday, May 18, 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

Justin Nordhorn, Policy and External Affairs Director
Jeff Kildahl, Policy and Rules Coordinator
Audrey Vasek, Policy and Rules Coordinator

APPROVAL OF MEETING MINUTES

MOTION: Member Garrett moved to approve the May 11, 2021, Board caucus minutes

SECOND: Member Hauge seconded.

ACTION: Chair Postman approved the motion.

NEW EMPLOYEE INTRODUCTIONS

Justin introduced Jeff Kildahl, the new coordinator for cannabis rules. He said Jeff formerly worked at the Department of Social Health Services (DSHS) where he spent the last fifteen years working on policy and rules. Jeff said he was excited for the new opportunity with the agency. David shared that he had participated in the interview process and noted all involved were impressed with Jeff's qualifications. Ollie and Russ also welcomed Jeff.

RULES PETITION REVIEW AND CONSIDERATION

Audrey indicated she would begin with the petition related to summary suspension and emergency rules. She provided the background and details of the petition and explained that the recommendation of agency staff was to deny the petition.

David thanked Audrey for the presentation, adding the analysis is clear and that the Board had made its intentions clear regarding the permanent rule. He asked if there were any questions from the Board. There were none.

MOTION: Member Hauge moved to deny the petition as described.

SECOND: Member Garrett seconded.

ACTION: Chair Postman approved the motion.

Audrey moved on to the second rule petition regarding true party of interest (TPI) for liquor licensees. She provided the background and details of the petition and explained that the recommendation of agency staff was to deny the petition.

Russ noted that Audrey had done a thorough job reviewing the material with the Board. He offered concern that “business trusts” cover a lot of ground and without further definition of what it is that is being considered he felt the Board needed to deny the petition.

David asked Audrey to explain what the next steps would be in developing a policy or interpretive statement on the topic. Audrey said she would need to further discuss the issue with Licensing and other divisions within the agency and then bring a summary to the Policy Workgroup for more development and discussion as to whether creating a statement would be appropriate.

MOTION: Member Garrett moved to deny the petition as described.

SECOND: Member Hauge seconded.

ACTION: Chair Postman approved the motion.

BOARD MEMBER AND EXECUTIVE ASSISTANT REPORTS

Dustin informed he was waiting for an additional software update from Microsoft before converting the public meeting platform to Teams. He noted he may be able to move forward without it and would continue testing. David stressed the desire to make the transition and said he looked forward to the benefits the new software would provide, including the opportunity to use video.

Russ shared that he continued to follow up with licensees regarding Delta-8. He said the conversations centered around the term “hemp-based biomass” rather than “cannabis-based biomass”. Russ clarified that hemp-based biomass referred to material that is collected during the farming of hemp and can be turned into an intoxicant, Delta-9, or a high concentration of Delta-8, whereas cannabis biomass is trim and leaves that producers grow and sell to processors to turn into oils and other distillates. He said he was beginning to understand this was the “opening gun” | the commodification of cannabis.

Russ said the current system rewards individual farmers and the idea is to provide a diverse working force in the industry that has opportunity for everyone. He said the feedback he is getting is that if hemp-based biomass is allowed into the regulated market it may create additional pressure on the smaller producers, whose market for the trim they produce could be eliminated. Russ hoped he could be corrected on that summarization, but his understanding is that this is what was beginning to take shape which would lead to very serious policy questions. He suggested questions would include “what kind of market do we want to have”, “what do we say to people who entered our market as a small producer who have their business model disrupted by the hemp-based biomass”. Russ looked forward to continue to work on the issue, underscoring that the pending discussion would likely prove difficult.

David asked what Russ' sense of the recent policy statement was and if it aligned with what he was hearing from the industry. Russ said the policy statement was currently serving a good purpose, adding that he didn't know enough about the issue yet to give guidance on what the agency should do. He said the policy statement outlined the agency's concerns and had gotten the attention of the industry. Russ noted the LCB was not taking enforcement action based on the policy statement. He added that the agency recognized the issue was very complex and potentially very impactful on the regulated market.

David noted there were differing opinions on the issue within the industry. Russ concurred, adding that his perception in the early days of the issue, that there was still the tension that has always been in the marketplace between those license holders that were of a size or business power that they can absorb a hit or capitalize on a hit by changing their foundation from regulated cannabis-based biomass to hemp-based biomass – and could see a position where they would find a cheaper way to make and sell product and make more money. On the other hand, there are the smaller producers that want to be small – their business model is based on the ability to sell their cannabis-based biomass (trim). Russ said that is the decision point that is being considered.

David thanked Russ for his report, agreeing that there were large policy implications and the subject was changing fast. He said he also looked forward to continuing review the issue.

Ollie asked if other states were having the same issues or if some had made advancements in their policies. Russ said it was difficult to measure due to the idiosyncrasies and timing of their legislative sessions, and/or the authority of their rulemaking bodies. He said his understanding was that states with regulated markets had the same concerns as Washington and were taking steps to ensure product safety first and foremost, and then evaluating what effect this could have on the market. Russ pointed out it may be too early to forecast, noting that the cannabis market itself was still fairly new. David informed that Rick, Kathy and Sara had been meeting with representatives from other states and discussing this topic and suggested that Kathy may be able to update the Board on some of these conversations soon. He added that Oregon was still in session and that there was a potential for policy decisions to be made there soon. Russ agreed, noting that Washington didn't have a clear picture of the subject until after the legislative deadlines had already passed. David recognized Washington couldn't see legislative action until the 2022 session, adding that changes would be likely be iterative and not handled in one single action.

Meeting adjourned at 10:27am.

Minutes approved this 25th 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