



Board Caucus Meeting

Tuesday, June 6, 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, Executive Director
Toni Hood, Deputy Director
Chandra Brady, Director of Enforcement and Education
Audrey Vasek, Policy and Rules Coordinator
Jeff Kildahl, Policy and Rules Coordinator

APPROVAL OF MEETING MINUTES

MOTION: Member Hauge moved to approve the May 25, 2021, Board caucus minutes

SECOND: Member Garrett seconded.

ACTION: Chair Postman approved the motion.

NEW EMPLOYEE INTRODUCTION – RICK GARZA INTRODUCES TONI HOOD, DEPUTY DIRECTOR

Rick introduced Toni Hood, the agency's new Deputy Director. He said she previously served as the Deputy Commissioner of the Legal Affairs Division at the Office of the Insurance Commissioner where she oversaw a \$12M biennial budget and a large team of attorneys, investigators and paralegals who enforce the insurance codes for the state. Rick added that Toni is an attorney herself, getting her law degree from Gonzaga University and her Bachelor of Arts in Political Science from Seattle University.

Toni thanked Rick for the introduction, adding that she was excited about her opportunity with the LCB. She shared she had also worked for the Department of Licensing (DOL) as a regulator, the Attorney General's Office, and had started her professional career in private practice focusing on family law and criminal defense. Toni reiterated her excitement in joining the agency and looked forward to working on cutting edge cannabis regulation. She noted her first exposure to cannabis regulation was that she worked for DOL when cannabis was legalized to work on the, per se, limit for intoxication.

David welcomed Toni and said he looked forward to engaging with her more in the future.

AGENCY UPDATES – RICK

Rick reminded that the “Joints for Jobs” program was announced yesterday. He recalled that Stacey Petersen from Apex in Spokane had suggested the idea at a recent Board meeting, adding that other cannabis retail licensees had also supported the idea of the program. Rick said the idea of the program was to incentivize citizens to get a COVID-19 vaccine by offering a complimentary joint, similar to the incentive program offering beer or wine. He added that there was a question raised as to whether edibles could be offered in place of a joint, as some people don’t consume by smoking. Rick said that Justin is working on amending the structure of the program.

Rick shared that Ollie had been helping with the Diversity, Equity and Inclusion (DEI) Manager position interviews. He hoped to have a decision soon.

Rick shared that Sara led a state-wide prevention roundtable. He reminded it was an opportunity for the LCB to have a dialogue with the public health and prevention communities. Rick suggested to have Sara come to a meeting and update the Board on the conversation. David agreed that would be valuable.

Rick informed that the LCB is occasionally contacted by Federal agencies. He said the recently the Internal Revenue Service (IRS) contacted the LCB and the Department of Revenue (DOR). Rick said that Brad Martinez, the Territorial Manager for the Northwest, and several of his staff were on the call. He had asked how Washington put together their cannabis regulation system. He said it was similar to a conversation recently had with the Trade and Tax Bureau (TTB). Rick shared that the conversation was based around how the LCB conducts audits and how tax structures and collection vehicles were instated. Rick indicated that Jim (LCB CFO) and staff did a great job presenting the material and answering questions. Russ asked if this was the first outreach the LCB had received from the federal level. Rick said he thought it was the first contact from this particular branch of the agency. Russ was surprised to hear that was the case given the recent news of the expansion of federal research opportunities. He felt that was a positive sign. David asked if Rick had any indication of what had sparked the interest in setting up the conversation. Rick thought it may have been in relation to changes at the federal level and the need for federal agencies to develop relationships with states that have legalized adult use. He felt it was possible that a Memorandum of Understanding (MOU) may be developed between the LCB, DOR and IRS to account for any federal level changes. Rick added that other states have been engaged in some of these conversations as well.

Rick said that CANNRA (Cannabis Regulators Association) was preparing a mid-year meeting of the legalized states, including on segment of the agenda dedicated to discussion with congressional delegations. He reminded that the LCB had sent a letter to our delegates last year with thoughts on a new federal program and concerns some states have with respect to making sure there isn’t unintended conflict between states and the federal program as it develops. Rick said the meeting was planned for late June.

Rick shared that the agency would be hosting a drive-through recognition program later in the month. He looked forward to seeing people, some that he hadn’t seen in about a year due to COVID-19 restrictions. Rick said it was a great opportunity to thank the agencies employees for the work they continue to do.

Ollie looked forward to hiring the new DEI Manager, sharing they had interviewed about six candidates to date. She said it was interesting to hear the responses to the question as to what part of DEI – diversity, equity or inclusion – was the most important element. Ollie felt it was educational to the panel, who thought each factor was equally important, to hear that most candidates chose “equity” because it brought diversity and inclusion together. Rick said the question was “which do you see as the most important

component of DEI – diversity, equity or inclusion and why”. He also felt it was interesting to hear the answers of how candidates rated those items.

DELEGATION OF AUTHORITY – REVIEW AND CONSIDERATION – CHANDRA

Chandra reviewed the current delegation (HANDOUT 1) with the Board. She reminded that in accordance with WAC 314-42-10, the authority to sign first settlement agreements for liquor and tobacco administrative violations was delegated to the Chief, then – now the Director position – in 2009. She indicated she would be requesting approval to delegate that authority to the Deputy Chiefs.

Chandra shared that 129 combined liquor and tobacco first settlement agreements completed in 2020. She reviewed her suggested updates to the delegation (HANDOUT 2) and asked if there were any questions. David asked for clarification on what offences would be affected by the change. Chandra explained this was solely for liquor and tobacco, reminding that authority for cannabis violations had not been delegated from the Board. David asked if there was a process of notifying the Board of first settlement agreements. Russ clarified that first offenses are generally lower level offences and that the Board would likely only hear about them if there a subsequent offense that would take it to a more serious level. The Board would then be advised about the history of compromises and/or settlements. Chandra added that if a licensee agreed to the violation notice, they could simply sign-off on it and it wouldn't be shared up the ranks.

David asked if any issue had ever been raised about the delegation of authority. Russ and Ollie said they did not believe so. Russ compared this to a similar practice in his former role in the prosecutor's office where they delegated authority for minor juvenile offences to the juvenile probation officers because there was the thinking that an immediate settlement, compromise or education would solve the problem. He said that generally that did in fact take care of the problem and couldn't recall a time then or now at the LCB where he'd had to get involved after this type of compromise was reached. Ollie concurred, adding that some compromises still result in an AVN (Administrative Violation Notice). She went on to say that AVNs can impact other aspects of a business, including opening bank accounts, and that is considered when developing compromises. Russ asked for clarification if it was suggested in this new process that if there is a minor offense in the alcohol or tobacco realm that enforcement acts upon that the agency would no longer issue an AVN. David clarified that was not the intent of the delegation. Chandra also clarified that she was requesting only to delegate the authority to the Deputy Chiefs.

MOTION: Member Hauge moved to approve the delegation of authority as described.

SECOND: Member Garrett seconded.

ACTION: Chair Postman approved the motion.

BOARD MEETING PREP AND RULES UPDATE

Audrey provided an alcohol related rulemaking update, including:

- Implementation of 2020 Legislation – E2SHB 1480 Related to COVID-19 Alcohol Allowances
 - Initial comment period currently open until July 2
 - One comment received so far in support

- Internal workgroup meets weekly to develop conceptual draft rules
 - Hope to share publically in mid-July
 - Anticipate holding one or two “listen and learn” sessions in August
 - May conduct a survey of licensees
 - Tentatively scheduling the CR 102 in September
- Summary Suspension and Stay Provisions to Enforce Governor’s Proclamations
 - Initial comment period for the CR 101 closed on June 5
 - 65 comments received in opposition
 - Internal workgroup is reviewing comments and considering options
 - More updates on proposed timeline in July
- Distillery Reporting and Payment
 - CR 103 scheduled for consideration tomorrow
 - If adopted, effective date of rules will be July 10, 2021

Audrey asked if there were any questions. David asked about the comments received regarding the summary suspension rules project were all in opposition or if any were received in support. Audrey confirmed that all 65 comments were in opposition. David thanked Audrey for her update.

Jeff provided a cannabis related rulemaking update, including:

- Quality Control Rules
 - Four rule drafting sessions scheduled in the coming weeks
 - Expecting to hear from the Office of Financial Management today or tomorrow regarding bids concerning the LCB’s request for an economist to help draft a small business economic impact statement
- Criminal History Background Check
 - “Listen and learn” held on June 1, 2021 attended by approximately 25 people
 - Internal project team scheduled to meet later in the week
 - CR 102 tentatively scheduled for July 7, 2021
- Rules Referencing the State Board of Health Vitamin E Acetate Prohibition
 - CR 102 approved on May 26, 2021
 - No comments received to date
 - Public hearing tentatively scheduled for July 6, 2021
 - CR 103 tentatively scheduled for July 21, 2021
 - Emergency rules could be allowed to expire
- Tier I Expansion
 - One comment received in favor, one comment in opposition
 - Public hearing scheduled for tomorrow
 - CR 103 could be reviewed on June 23
- THC Isomers Beyond Delta-9
 - Two comments received regarding the CR 101
 - “Deliberative dialogue” session was held on June 3, 2021, 129 attended

Jeff offered his appreciation for the qualified and diverse group of experts for helping keep the meeting focused on plant chemistry. He added that the LCB remains committed to grounding the work on the project in facts and data and believes this approach is the most appropriate and productive way to situate the work. He said the next steps were to curate the 2.5 hours of dialogue, reconvene the project workgroup and plan for the next session.

Jeff asked if there were any questions. Russ shared that he attended the “deliberative dialogue” and said it was, in his experience in rulemaking, an outstanding exercise. He said he came away with the understanding that this is a very complicated problem and that legislature would need to take action in the not-too-distant future. Russ offered his congratulations to the rulemaking department, noting that the level

of participation is a function of how rational the LCB's rulemaking process has become. David shared that he had heard positive feedback about that session and said he understood there may be a follow-up meeting with the same experts. Jeff confirmed that follow-up sessions were being considered.

David asked if Jeff had a sense of what stakeholders felt about the criminal background check rules project. Jeff said he felt they were generally supportive of the work being done. David thanked Jeff for his update.

BOARD MEMBER AND EXECUTIVE ASSISTANT REPORTS

Dustin reminded this was the first attempted public meeting on the Microsoft Teams platform and said he felt it went well. He said the procedure to register to testify at a Board meeting remained the same with the new platform, adding that one of the benefits was the ability for staff and stakeholders to be on camera. David asked for clarification on who would be on camera during the meeting. Dustin informed that all attendees would enter the meeting with audio and video disabled, but would be granted those permissions during the time they are providing testimony. He added that the Board would likely remain on camera for the duration of the meeting unless the bandwidth became compromised. David appreciated Dustin's effort to launch the new meeting platform.

Russ reiterated the value he got from attending the "deliberative dialogue". He felt the issue of hemp-based biomass would continue to be a major focus of the agency and ultimately for the legislature. David said he was glad Russ was able to hone in on the subject, and suggested having some of the experts come to an open public meeting so he and Ollie could hear the same things as everyone else. Russ agreed that would be valuable. Ollie asked if it would be at a Board meeting or a Board caucus. Russ indicated it could be done at a caucus or a special meeting with appropriate notice. Rick suggested convening a work-session with the expert panel, staff and Board. David reminded the Executive Management Team meeting tomorrow would also focus on Delta-8.

David thanked everyone for their reports and adjourned the meeting.

FUTURE AGENDA ITEMS FOR CONSIDERATION

- Sara to report on the prevention roundtable discussion at an upcoming caucus or EMT – Suggested by Rick
- Convening a work-session regarding hemp-based biomass

Meeting adjourned at 10:43am.

Minutes approved this 22nd day of June, 2021.



David Postman
Board Chair



Ollie Garrett
Board Member



Russ Hauge
Board Member

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