



## Board Caucus Meeting

Tuesday, February 22, 2022, 10:00am

This meeting was held via web conference

## Meeting Minutes

---

### CAUCUS ATTENDEES

Chair David Postman  
Member Ollie Garrett  
Dustin Dickson, Executive Assistant

### GUESTS

Chris Thompson, Director of Legislative Relations  
Rick Garza, Executive Director

---

### APPROVAL OF MEETING MINUTES

Chair Postman announced the consideration of the February 15, 2022, Board Caucus minutes was postponed until the next meeting.

---

### LEGISLATIVE SESSION UPDATE – CHRIS

Chair Postman: One specific item on our agenda for today, a legislative session update from Chris Thompson, our Legislative Director. Rick Garza, our Agency Director is here as well. Chris, I'll let you go ahead and start and set the scene, here, with two weeks and a day left, I think.

Chris Thompson: Today's Tuesday, so essentially 17 days including today remain. Thursday, March 10, is Sine Die. We're certainly approaching the home stretch.

Good morning, Mr. Chairman and Board Member Garrett, it's good to be with you. I'll give you an update on the measure that are still moving, and if you have questions about others we can talk about that. I'll start with agency requests.

The joint request from LCB and the Department of Agriculture for authorization of a program for developing new cannabis testing lab quality standards is moving along. That bill passed the House 97-1. It passed the Senate Policy Committee 8-0. It's now in Ways and Means. We've requested a hearing from the Chair and gotten an affirmative response from her. Things look like they are well underway for successful completion with that piece of legislation. I don't have an update on what is in budget proposals, but there's no reason to think they won't be fully funded. We've heard no concerns and there's been no expressed opposition to the bill.

The other measure is more complicated. The LCB request regarding regulatory authority over cannabinoids is – the original bill we requested, HB 1668 did not move out of the House prior to cutoff for bills to clear House of Origin. In the wake of that, there is still a great deal of interest in enacting this legislation or something similar to it. Representative Kloba has introduced a brand new bill, House Bill

2122. It mirrors most of the provisions that were included in the second substitute that was approved by House Appropriations Committee on a strong 22-11 vote, with a few additions. There are a few additions. An additional exemption that would place outside-LCB regulatory authority, unadulterated hemp flower products.

Second, there is added a notification that the LCB would be required to provide to legislators, chairs and ranking members of the Policy Committees, when embarking on rulemaking efforts related to the bill. That is in lieu of a different type of legislative engagement than was in the second substitute as passed by House Appropriations that the LCB had some concerns about. So, this would require notification of those four legislators, and they could in turn request or recommend a review by the Joint Administrative Rules Review Committee of the legislature.

There is also a new temporary surcharge on certain license renewal fees of convenience stores, tobacco and vape shops - \$50 to party fund a new effort that's also included in the new bill, 2122. That new effort would be an LCB Enforcement project for proactively going out to retail outlets to find out whether or not these products that are impairing and are derived from hemp, and not authorized for sale under (RCW) 69.50, could be addressed. They have been found in retail stores that are not marijuana licensees, as well in some cannabis licensee retail outlets as well.

So, this – the work that has led to the discovery of those products on the shelves already has primarily been in response to either complaints on the cannabis side, and as part of the routine premises checks in the non-cannabis retail outlets where we found these products.

This new effort would be a proactive effort, not reactive or part of a routine or usual business of the agency. So, that's a new component of the bill that I imagine would be appealing to folks who are quite concerned about these products being out there and were maybe a little disappointed that the original bill didn't do something more direct and proactive in that regard.

That bill has been referred to the Appropriations Committee. We have requested a hearing and are awaiting a response to that request.

Those are the agency request related items. There are five other cannabis related bills that are progressing through the process.

First I'll mention is the Governor's request for community reinvestment. This is HB 1827. That bill passed the House 57-41 and got a public hearing in the Senate. Board Member Garrett testified on behalf of the LCB in support of that bill. We're eagerly watching to see what happens with next steps on that bill. This would provide \$125 million annual program for reinvestment in communities related to projects such as economic development, assistance with re-entry and other program areas. The current version of the bill directs the Department of Commerce to use existing programs and providers for the first phase, and then by 2024 to have developed a longer term plan with additional elements like accountability measures and procedures for tracking outcomes that are achieved through the funding

Next item is Senate Bill 5004 which would provide an excise tax exemption on the sale of medical cannabis products. There already is a sales tax exemption on those products. This would also provide an exemption on the 37% excise tax. I understand it's temporary and is framed as a pilot project. I am scheduled to testify in favor of that bill later this afternoon in the House Finance Committee. It passed the Senate 40-8 earlier this session. It also passed last year – it's a hold-over bill that didn't make it through last year, but it looks like it has pretty good prospects this year.

There's also HB 1210, that would change terminology in RCW from "marijuana" to "cannabis". It includes, at our request, a directive to use expedited rulemaking to make the same change in Title 314 of the Washington Administrative Code – those are our rules regarding this topic. This would enable us to, in one fell swoop, make that change across our WACs much more quickly and efficiently. It has passed the House 83-13. It passed Senate Policy committee yesterday 7-1, and looks like it has a pretty good stock of momentum behind it.

Another measure we are actively supporting, as we did with 1210, Senate Bill 5927, relates to security at cannabis retail stores. This would provide a sentencing enhancement for armed robbery that is premeditated and coordinated with multiple persons. It also requires that the stores report these robberies to our agency, and for us to confer with the State Patrol what that data shows or suggests in regards to patterns and that sort of thing, and what would be looked for in getting better data.

Finally, Senate Bill 5796, provides for restructuring the statute that outlines how cannabis revenue appropriations, in part, are to be allocated. This is a permanent statute, so it really amounts to a statement of legislative intent. It's not actual appropriations, the budget does that. But it is a guide, and it provides information to the public about the state's intent for use of those funds. I won't go into the details, but there are some small and larger shifts in that. It's in part to just clarify that statute, but it's also to signal a desire for additional activity in certain areas, including youth prevention, the Healthy Youth Survey and some of those things that weren't previously in that statute. That bill passed the Senate 41-7. There's a public hearing on it today in House Appropriations.

Those are the cannabis measures. A couple of alcohol bills are moving. One is House Bill 1359, a liquor license fee reduction. It is temporary and for select liquor licensees. It is a 50% reduction starting in May and going until the end of 2023. We have pointed out to the sponsor that there is, kind of, a one-month gap, where the licensees would benefit from a reduction from legislation passed last year – SB 5272 provided for reduction in fees through March of this year. Then, this fee reduction takes effect in May, so, licenses that come up for renew in April are left out and would otherwise be charged a normal license fee. I've indicated this situation to the sponsor of the House measure, Representative Monica Stonier, and she appreciated that information and indicated an intent to try and address that. It passed the House 95-2, it's already been heard in Senate Policy Committee and is scheduled for Executive Session tomorrow. I imagine Representative Stonier will try and get that addressed prior to addressed to moving it out of Policy Committee.

The other liquor measure, SB 5940, would authorize industry members such as distillers – who seem to be the group that has the most interest in this – to contract out and provide a service of bottling and packaging for alcohol. Currently, a non-industry member can do this, but an industry member isn't allowed to, under a bill that we worked with Senator King a few years ago, in 2019, to pass, at the request of a business in the Yakima area. This would broaden that to allow distillers, for instance, to generate some income and serve our domestic industry, where they already have the equipment, for instance, so it makes more efficient use of the investment that the businesses have made in Washington and avoids, perhaps, situations of sending product out of the state for packaging and then bring back into the state for sale. So, it provides some more flexibility for alcohol licensees, it provides a potential revenue stream for some of our licensees – some of them are describing some tough times in their business and their industry, particularly the smaller distillers come to mind in that case. So, the bill passed the Senate 47-0. It was heard last Thursday in the House Policy Committee for Commerce and Gaming. They passed it out this morning, so that bill is moving along as well.

Finally, I just mention briefly that HB 2022 for social equity in cannabis did not pass. It failed to clear the House ahead of the cutoff for House of Origin. But, there are discussions continuing about ways to

salvage portions of that bill through attachments to other legislation, or the budget, and those conversations are ongoing. I don't think they've gelled to the point where we know what the plan is, but we have been contacted by the prime sponsor of that legislation for some feedback and input. I know those discussions are still going on and there is a lot of interest in trying to get some legislative progress this year on the social equity front for cannabis. One element I've shared with the sponsor that could be valuable is to enact, in some form, a provision that was in HB 2022 that would allow for the social equity licenses to be used in any local jurisdiction where it would be permitted. So that "mobility" feature would make the existing authorized social equity licenses more useable – could be important progress, at least, for getting the current program, if authorized, off the ground and make better use of all 39 of those licenses, not just the approximate third of them that are assigned to jurisdictions without a ban or other barrier to actually open up businesses. That's what I know about where things are on social equity.

this concludes my report, Mr. Chairman, I'll certainly try and answer any questions you might have.

Chair Postman: Member Garrett, any questions for Chris, or anything else to add?

Member Garrett: On the bill that we were trying to put (license) mobility on, what bill was that?

Mr. Thompson: I don't know, there might be a couple of possibilities. I don't know if they have a theory for how that could be added to the budget. That's a piece of information I don't have.

Member Garrett: It's in the budget, okay. Was that the only thing trying to be added to the budget?

Mr. Thompson: I think there are discussions about adding more licenses, perhaps fewer than were authorized in (HB) 2022. But I don't know for sure. Again, I've been asked a few questions about this, and I reminded Representative Wicks that that provision about where the existing licenses were assigned would be important. I haven't been told very much about which bill might potentially be a vehicle for attaching and amendment to. There are some cannabis bills out there, some of them might have a broad enough scope in title and object to accept that, or, perhaps the budget is a vehicle that could accommodate some of these ideas. But, I think there is some discussion about more licenses. I don't know where things stand or what's going to be actually sought in terms in the form of an amendment. How many and what kind, I don't have that information.

Member Garrett: Could some of these things hurt the bill? Or at what point – this is a new territory for me – when we're asking "would it harm the bill" or is it past that stage – how does that work?

Mr. Thompson: If a piece of one bill that died is attempted to be added to a bill that is alive, yes that sometimes can threaten the prospect of that bill that is still alive. Either bogging it down or generating more controversy in opposition – that's a general statement, not talking specifically about social equity now. It's kind of a general rule of thumb in how things work this time of year, when people go looking for "paper hanging" – that's slang for attaching an amendment to an unrelated bill, or that was originally unrelated. There are some cannabis bills moving through. I haven't looked through, myself, what their titles are, what the scope of their subjects are and whether it's something that would work or not work as an amendment, or if it would be challenged on the basis of scope and object. The budget is pretty forgiving as an instrument of accommodating additions from bills that didn't pass. I don't know how focused these discussions are the budget as a potential vehicle. But, certainly yes, if for instance, someone was to say "let's attach this to the community reinvestment bill". That probably doesn't enhance the prospect of the community reinvestment bill – that's my guess. But, that's a calculation that supporters of both bills have to make. Will it work or will it backfire?

Member Garrett: Right.

Mr. Thompson: At this point, a new bill is probably not an option, so the number of options are limited and each one of them carries downside risk to – either the social equity ideas or the other bill that we try and attach to, or both. Does that make sense?

Member Garrett: Yes, thank you.

Chair Postman: A question for both of you, maybe – if there is no piece of the old social equity legislation that gets attached to anything successfully, we have rulemaking going on within the agency, right? It's just worth reminding people. At one point we didn't think there would be legislation this session, to do this. So, it's important for us all to keep in mind, that the LCB still has work it can do and is doing. Licensing and Policy and Rulemaking have been hard at work at this for a long time with Member Garrett's direction and input. Certainly would be nice to get some key pieces that we might need, but it doesn't leave us high and dry.

Mr. Thompson: Right. And the Department of Commerce has a role here in this program area as well. Obviously their role is primarily fiscal, so the budget would be a good vehicle for putting some additional support for this program – financial support – into the budget for Department of Commerce. Whether that's technical assistance, or loans or grants, whether it's a mentor roster for support, those are all fiscal components to this effort that could be also advanced through the budget. And, Mr. Chairman, you are correct, that there are certainly steps the agency could take toward implementation of the already authorized program. Even if we get nothing out of this legislature, we are in a position to move forward with, at least, trying to get started with the already authorized program.

Chair Postman: Yes. We have a commitment to that, and lack of additional action by the legislature this session is not any signal that there is a lack of commitment on their parts. So, we're going to keep moving. I think it shows the importance of the work we are doing if we have to do it without statutory assistance. So, we're ready, willing and able.

And to the question of amending things. We also know, particularly this time of year, people will offer amendments to bills, maybe in the hope that it drags it down. So, it's also important to look at where these come from and what do they do. Some people will try and love a bill to death. So, that's what Chris is doing these days, is keeping a sharp eye out on any movement on any of these bill, because you just never know. I think it's important for everybody, for example, with the community reinvestment bill – that needs to be fairly clean. People have attempted to attach things to it already. We heard more options this weekend. It's not a licensing bill – in my mind that's not where it belongs. So, we just have to keep an eye on all of it.

I have one question on a bill you mentioned, 5927, on the security for retail stores and the sentencing enhancement. Also, a lot of budget provisos flying around in the ether right now, and there is some talk about a proviso on a task force for cannabis retail robberies – but it sounded like, in your description of 5927, that some of those same functions would be in that bill. A reporting function and things of that sort. Is there any – are those too redundant? Do we need that proviso?

Mr. Thompson: I haven't seen anything on the proviso that you are referring to, Mr. Chairman, in at least a week, probably more. I think there were some concerns about what we saw in the language from some early versions. I know we've worked with stakeholders with an interest in that. I can't give a definitive answer – if there's any duplication or overlap – because I'm not fully up on what the current thinking is about that proviso or task force.

Chair Postman: It's in the Senate budget only. Apparently that proviso – CFO Morgan was talking about it – but, I'll let you take a look at it and see, if it is better to have it in statute, I suppose, than to create a

whole task force if we already have a statute that is going to require some of those same functions take place.

Mr. Thompson: Certainly a task force in a proviso cannot provide for a sentencing enhancement for a second or third degree robbery.

Chair Postman: I meant the other part of it that said, from your description, that they would have to report to the agency when there is a robbery and things of that sort. Some of that I think is – I'm just not sure we need the proviso. But, it would be worth digging in to it a little more.

Mr. Thompson: I haven't seen that, or a summary from Jim about what is in the Senate budget. I will check into that. And, as you say, there is certainly the possibility that if there is no proviso, the agency could convene or could participate in discussion over the interim about potential best practices, or other safety measures that could be taken. And, depending on what those are, maybe they could be addressed in rule or take the form of other legislation for next session.

Chair Postman: Great. Thank you. Thanks Chris, good luck over the next couple of weeks.

Mr. Thompson: Thank you, and good luck to all of us.

Member Garrett: If there's anything you think I can do to help, feel free to reach out to me.

Mr. Thompson: Thank you. I did, with your testimony yesterday, so thank you very much for that, Board Member Garrett.

Member Garrett: It was interesting sitting through the one before that, the long one – but it was very informative on something that isn't even on our radar – to listen to the other testimony and hearings.

Mr. Thompson: Indeed. Thank you again for that. We'll keep you in mind for where we might need some help as we approach the end of session. I know Mr. Chairman, you've been very active and very helpful in our conversations with and relationship building with key legislators throughout the session. I want to thank you for that, it's very helpful, and we appreciate the time you devoted to that.

Chair Postman: I appreciate that, thanks, Chris. We'll see you next time

Mr. Thompson: Thank you.

---

## **BOARD MEMBER AND EXECUTIVE ASSISTANT REPORTS**

Chair Postman: That brings us to Board Member and Executive Assistant reports. Member Garrett, anything to add today?

Member Garrett: No.

Chair Postman: Dustin, anything to report?

Dustin Dickson: I do have a couple quick calendar updates, if it's alright with you?

Chair Postman: Please.

Mr. Dickson: When we had our Alcohol Advisory Council meeting in early December of last year, there was a sense from the council that they would like to meet to discuss bills at some point during session. As we got into session and started looking at scheduling time for that meeting, the council reconsidered and wanted to wait until after session. So, right now we have that meeting scheduled for March 30. That gives a couple weeks after session to let the dust settle and see what we have after that. I think that has been expressed to the council as well, with their agreement.

In consideration of session ending on March 10 – generally our Executive Management Team (EMT) meets on the second Wednesday of every month, which would put that meeting on March 9. With as busy as we are, and with bills and amendments to watch, it was the general consensus of our internal group not to have that meeting the day before the end of session because everybody will be pulled in too many directions. So, we have also moved the regularly scheduled March 9 EMT meeting, it will now be on March 23 – we are pushing this out two weeks to get time to get out of session and see what reports the division directors will have.

I don't have the external-facing March calendar up yet, but it will be updated by the end of the week – so when people look and see those changes, these are the adjustments we have made and reasons why.

Chair Postman: That all sounds good. Let's just be sure that at our next Caucus after session ends, which would be...

Mr. Dickson: That will be March 15, Chair.

Chair Postman: ...that we have Chris come if possible to give us a post-session wrap up and a chance to talk about what passed, what didn't and what next steps would be.

Mr. Dickson: Of course. I'll be sure that gets added to his calendar as well.

Mr. Thompson: Happy to do that.

Chair Postman: Great. I'm sure you're looking forward to that day. Thanks everybody.

---

Meeting adjourned at 10:40am.

Minutes approved this 8<sup>th</sup> day of March, 2022.



---

David Postman  
Board Chair



---

Ollie Garrett  
Board Member

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