



Board Caucus Meeting

Tuesday, May 24, 2022, 10:00am

This meeting was held via web conference

Meeting Minutes

CAUCUS ATTENDEES

Chair David Postman
Member Ollie Garrett
Member Jim Vollendroff
Dustin Dickson, Executive Assistant

GUESTS

Justin Nordhorn, Policy and External Affairs Director
Audrey Vasek, Policy and Rules Coordinator
Jeff Kildahl, Policy and Rules Coordinator
Robert DeSpain, Policy and Rules Coordinator
Rick Garza, Agency Director

REVIEW OF INDUSTRY ALLOWANCES RELATED TO COVID

Chair Postman: The first item on the agenda today is the review of industry allowances related to COVID. As anybody who has been watching us for the last couple of years knows there has been a series of these allowances both on the alcohol and cannabis side to respond to various parts of the pressures that the pandemic brought for businesses, consumers, and others. And a set of those are scheduled to expire, and we've talked about them before, but we have got a group of them coming up for expiration soon. And so I asked Justin to come and talk about a few of them in particular. We have been talking about them internally here. So, Justin Nordhorn, our Policy and External Affairs Director, is with us. And I'll just toss it to you, Justin, for an overview of where we are at.

Justin Nordhorn: All right. Well, thank you all. Good morning, Chair Postman, Members Garrett, and Vollendroff. Thanks for having me here today. I will just kind of run through these briefly. I know we've had a number of discussions. All of these are on our website. There are links that folks who have been tracking this can access. And so, we're talking about there are currently eight that are still kind of remaining. We had two that were up there that were food service requirements and outdoor alcohol service. Those were taken care of for this period of time by House Bill 1480, and so those two are not in consideration for expiration because of the legislation that was passed. So we have four cannabis ones, and we have four alcohol.

I'll start with the alcohol components. We have the silent auction - let me back up - all of these are set to expire on June 1st of this year. And so, the consideration that is being discussed is extending some of these based on need, and there is a number of them that, as the agency policy workgroup has worked through, has taken a look at some of these, and we've a lot of discussions around. So, I'll start with the online silent auctions. It's pretty straightforward. During COVID, there was no access to location, size of events, etc., so nonprofit organizations frequently tried to do auctions to support their nonprofit activities. And we had online silent auctions as a way to accommodate those, so there's an interest in moving those forward for a little bit more time.

We also have “renting kitchens to non-licensees”. And so basically, when the licensees could not be fully open, they had some kitchen space. Other people were doing a number of different things where they didn't have a kitchen, but they didn't want to be in alcohol sales or service. And so this afforded them an opportunity to rent out that kitchen or be compensated for some of the costs that they are having to keep their business open. And this is an interesting one because nobody exercised to us and ask for the accommodation for this particular allowance. However, there is a number of folks that are actually utilizing this, to our understanding, and talking to the Hospitality Association as well as in other areas. And so what it sounds like has happened is a number of licensees have gone to their local jurisdiction and local health department to talk to them about the foodservice issues, and they get approval from them, and they think that's all they needed to do. Again, these folks aren't typically liquor licensees that are going in there to rent out the kitchen. So, of course, the licensee should be contacting us if this is occurring. So I think there's just some education that needs to be conducted, and this is certainly something of interest that's not in conflict with statute.

So, the other two for the alcohol industry are minor employees being in restricted areas, and also Mandatory Alcohol Server Class 13 Permits and what those acts of employment would do. Those two are kind of linked together. And essentially during the pandemic in order to separate serving staff from exposure to COVID for in-house dining, we said, “okay, your Class 13 permit, which is those who are underage, those 18, 19, and 20-year-olds can go and be in the restricted area, pour the drinks there, and then take them out to the table”. This does not allow them to be a bartender, so they can't mix spirits or cocktails, but they can open the bottle of wine behind the scenes versus at the table and then pour it. So we felt that that was a reasonable type of issue. And as this has transpired, what the industry has been experiencing as of late is a significant challenge in hiring staff. And so one of the challenges in this particular area has morphed from the health and safety aspects to some of the feasibility of operations because they can't hire staff over 21 as easily as they can the 18, 19, and 20-year-olds. And so the request has been to allow for this to continue based on the employment shortage issues that these folks face.

So all four of those, there is a recommendation to have those be extended until September 30th, or through the summer, and then we could revisit some of those throughout the course. Of course, at any point in time, somebody could file a formal rules petition to see if you all would be interested in looking at this on a permanent basis.

There are four cannabis ones and these ones there are two that I'll start with. There is giving away hand sanitizer and face masks. That one is set, again, to expire on June 1st. We are suggesting just allowing that to expire. We put out a policy statement last year on incidental giveaways, and so this would actually fall under that particular provision if these things do not cost more than \$1 that they're handing out. And so we felt like this isn't really necessary anymore because there are other opportunities to provide those safety services.

The walk-up windows and curbside service are one of those that we find higher risk and more challenging because it is in direct conflict with the provisions of RCW. So it calls out that you can't have these. We did accommodate that for health and safety reasons during the pandemic, so people didn't have to go into the store. We did not allow people to construct windows if they didn't have one already, and so we were very limited in what they could do. And we did not allow for drive-thru service, so it was only a walk-up window where that transaction could happen or the curbside. Those require a statutory change to make those permanent, so we're suggesting just having those lapse at this point in time because the emergency of having the stores restricted in that type of way for customers to come in isn't necessarily there. There is still an interest, I would say, from licensees out there. And I would also say there's probably interest from

different groups, such as patients, that like that separation. However, the group felt like because of the risks associated with RCW we should just let this one lapse.

Then the last one is more of a debate that's going on with this particular one. And this is minors in the producer licensed premises producer processors. So initially what we had done because of the shutdown -- the schools were not closed, but it was all online learning. And so students weren't able to get into the classroom, daycares were closing, and so we provided this accommodation for those youth who were children or grandchildren of the licensee of the business. Not the managers, not the employees, just the licensee. And they could have a 16 and under -- those youth that may need more supervision -- to be able to come on to the age-restricted area. And the thought was they would be in the office doing their online learning or whatnot in that particular environment. They weren't allowed to go and handle product or anything like that, even if they were family members, they couldn't. They are family members, obviously, but they couldn't go out and work on the farm just like other agricultural areas, because of the restrictive nature of the product.

So this particular one is set to expire on June 1st. There are a lot of concerns from a number of folks, including public health, around having minors in these types of environments. We did get a request, and I believe you all three saw the request that came into the Board to ask for this extension because there is a feeling that the daycares are not all open. There are waitlists for folks to get in there. They would have to hire employees in order to be able to have one of the family members watch the children off-site. And so, there's that employment element that's in there. There are a lot of concerns about the health and safety of the youth on these types of premises, especially given some of the nature of the business with pesticides and those types of things and types of exposure.

Of course, we don't regulate them, but we do see that in other agricultural areas, as well. But the indoor grows, I think there is a higher risk of exposure. There certainly are challenges, especially in rural areas to get people to come out to watch children if you're not having the ability to access daycare. That is certainly another consideration, especially for small farms that are just family-run. So this one is something that I know in our conversations and with conversations independently with some of you, that there are some concerns about having this lapse immediately and that more discussion may be needed. And so this was asked to be brought forward into this type of forum so the three of you could have a conversation around this and decide which direction would be appropriate on this particular one. This is a rule, I will say, and it does not conflict with the statute. But this is something that is definitely concerning to a number of folks, so I will offer that, as well.

Chair Postman: Thanks, Justin. Questions for Justin?

Member Vollendroff: Thank you, Justin, I have a question. Do we have a sense of the scope of the challenge regarding children on processor/producer sites? How big a problem is this in terms of how many people we actually know it impacts?

Mr. Nordhorn: We don't have any good data to suggest how many this would impact. We have heard anecdotally over the last year, and I believe we have even heard in the public forums that licensees have commented that this has been one of the biggest help the LCB has done for them through this period. And so, that suggested to me that there was a lot of interest in utilizing that. We haven't had a lot of requests for extensions. And so, I don't know what the impact is across the state, if this is fairly limited or if it is more widespread. So I don't have any data to help with that particular aspect.

Member Vollendroff: Thank you.

Chair Postman: Justin, if I owned a distillery, could I bring my kid there today?

Mr. Nordhorn: If it's age-restricted, no. And typically the distilleries are set up a little differently, but I'll use some of the wineries and brewpub type of thing as an example. If it's not an age-restricted environment, then the kids are not barred from being in that type of area. We do have concerns about advertising and those types of things where there are children in -- advertising, let's say, for alcohol or wineries. I mean, if you want to do a family photo outside of the main vineyard for Christmas or whatever the case may be, that would not necessarily be alarming. But if you have it in a tasting room or where people are drinking, the kids are there, then then we would have a lot of concerns about how that goes, so there are other nuances. And I haven't seen any of those types of issues in the cannabis industry but more so on the alcohol side of things.

Chair Postman: And so when you talk about conflicting with the statute or not -- so as I understand this then, on the alcohol side, the legislature voted to extend similar to this one we're talking about for the alcohol thing on delivery and takeout. Right? They put that in statute?

Mr. Nordhorn: Yes.

Chair Postman: Until 2023.

Mr. Nordhorn: Correct.

Chair Postman: Okay.

Mr. Nordhorn: And they'll be reviewing it again, yes.

Chair Postman: Okay. That's right. And we are going to do a -- there is a study going on about what the impact on that has been both to the industry and public health and public safety. But there wasn't anything of that sort on the cannabis side. There was no legislation that extended anything on the cannabis side.

Mr. Nordhorn: That's correct. We didn't see any legislative movement for any of the allowances that were created.

Chair Postman: And, sticking with cannabis then, so the windows and the drive up, that conflicts with a statute which says you can't do that. The reason the LCB allowed it was just under that sense of an emergency, really, that we were in this pandemic, and we were trying to protect both employees and the customers. But I would think it does get harder to have a policy at the LCB that conflicts so clearly with state law -- so those I kind of get, but on the one that we're talking about with the minors in daycare, there is no statutory prohibition to that. So does that mean that is the prohibition that exists in our rules around producer processors?

Mr. Nordhorn: Correct. Yes. There is a statutory prohibition for retailers but not for the non-retail side. And the allowance, I will also offer the parameters around the allowance, of course, it didn't include retailers, nor did it include transportation. So you couldn't bring your child on your routes of transportation, either.

Chair Postman: Yes. Okay. And Ollie, you had a question?

Member Garrett: Yes, two things. The first one is since we allowed this and because it's been allowed for, what, two years? And during that time, have we had any issues?

Mr. Nordhorn: So this was allowed, I think fairly early on and, of course, I'm losing track of time through this whole thing. So it could be 18 months, almost a year. I don't think it's been quite two years yet. And have we had any issues? I would say that I'm not aware of any complaints. However, the focus has been I know in a number of enforcement reports over the last couple of years has been around mask-wearing requirements and those types of things more in the open-to-the-public type of environment. So I don't think that our staffing levels at this point in time could suggest that there are no issues with it because I don't think that they had an opportunity really to do oversight there. But have we had any actions that I'm aware of? No. Or have there been any complaints necessarily around this particular issue? No. But that doesn't mean that nothing has happened.

Member Garrett: But the answer is no.

Mr. Nordhorn: Correct.

Member Garrett: Okay. And with that and the allowance, and it's already been 18 months, give-or-take, even with the concerns that anyone is bringing up now against it, we're only talking about an extension of something that's already been going on for 18 months and extend it for an additional 60 days, maybe.

Mr. Nordhorn: You know, the way that the policy workgroup was looking at the extensions is we felt that it would be appropriate to use the same date, not only internally for operational staff understanding when allowances expire but also for industry members. And so, we are suggesting correlating dates of all of the allowance expirations to be September 30th, which is also the date of producer processors transitioning product from the quality control rules that we just did to retail, and so that's kind of the cutoff. So, using one date is easier for everybody to remember. And that is why we suggested that particular date.

Member Garrett: Okay. And I would think by then kids will be back in school and things like that since it is in September. And I think about what I hear here locally when it comes to daycare and things, a lot of daycares have shut down, and the ones that are open, like you said, are more expensive and very limited space. So I can see this as being a carryover of COVID-related things happening still?

Member Vollendroff: Yes.

Chair Postman: Yes, I think so. And my guess is it's more in need in the eastern part of the state where there are just fewer daycare facilities. And you might be more remote if you have an outdoor farm as opposed to indoor growers on the west side. It just may not be taken advantage of over here as much, but I certainly see the argument for allowing that to continue a little bit.

And then, as you mentioned earlier, Justin, on any of these that are expiring, people could submit a rules petition for us to consider making any of these permanent. I think one of the letters we got sort of suggested that but hadn't. So we need to reach back out and let people know specifically how to do that. And given today is the 24th, we have, what, seven days until these are expired. What is the timeline? When do we need to know for sure? And when would we alert licensees for the whole package of what's happening?

Mr. Nordhorn: We were hoping to alert folks today or tomorrow to give the time for that. With the expirations that have been very transparent, I would offer that people know that these were expiring. Of

course, we got the letter requesting an extension, so there was an understanding these are expiring. And so I think that folks know it's not a last-minute notification that, "hey, everybody, this is expiring". But it would be helpful to get that messaging out sooner than later, especially so we can have it publicly facing on the website if people aren't involved in these conversations, and they're looking to see, "did anything happen? I don't know what's going on". Then we can have that published for their use in that particular area. So we were hoping to have this out -- we potentially wanted to do it a little bit earlier, but this was a tricky one. So I think that having this more robust conversation with the three of you is important.

Chair Postman: It is trickier. I would just say I would support an extension of the minors in the facilities one, on the cannabis side. Only that one because it does not conflict with statute. I don't think we have a really good foundation to continue any other provision that conflicts with statute, given the state of the pandemic. But given the state of the pandemic, it's not over. And just really, I will tell you in the last couple of weeks, the number of people who I know who have either contracted COVID or know somebody or in their family, it's coming again. And so I understand the anxiety around some of these parents, particularly in the more remote areas. So, this is not a Board vote that we take on these. It is an administrative function, and they were set to expire. So I don't think we knew it, but I would just tell you, my opinion is we should allow, hopefully, the last extension of this until the start of the school year. And I say "hopefully" only because I don't know what will happen with the pandemic. If we are where we are today, then it will be time for people to find permanent support for childcare. And if we want to have a debate about, "should we change our rules to allow this on a permanent basis?" I would welcome that discussion, as well. And so, I would encourage any licensee who wants that to let us know and let's have that conversation.

And then I also just think there is a question about keeping alcohol and cannabis somewhat in the same lens for us, like, if we are allowing certain things in alcohol, why wouldn't we for cannabis? And none of these are exactly the same. I get that. The alcohol industry is very different. We've got on premises consumption and all that, so it's different. But I just want to keep an open mind for myself, like, okay -- if this were the alcohol industry, what would we do? So that's my opinion, is I would go ahead and give that one, one last extension. Again, it's not a vote, so go ahead, Ollie.

Member Garrett: And I was going to say I agree with you, David. Even though it's not a vote.

Member Vollendroff: Well, in that same spirit, I would say that it doesn't come without some careful consideration. But given, if nothing else -- and David, you just said this, but I just feel like it bears repeating -- and that is if nothing else, we have learned that there is uncertainty with this virus. And given where we're at right now and that uncertainty, it feels appropriate to give some certainty to this particular request. And so, I would support this and then also support that if it continues, then it would be through the rulemaking process.

Chair Postman: I think that's important to say, Jim, too, which is as you've said, Justin. Each time we're very open about them expiring. And I get that people don't like it when it gets close to the expiration. I don't either, but I certainly would commit to that, too, that if there is any discussion of extending, it really should go through the rules process at this point. The same thing we were doing away with Board Interim Policies and things; we're trying to do these things in a really organized way. And so, I would say, too, this would be the last extension of this sort that I would support for this one, and it should be considered by rules if we want to continue. So, Justin, there is the consensus.

Member Garrett: But, in making the statement that you just made, how long does the rule process take?

Chair Postman: Well, I don't know.

Mr. Nordhorn: So depending on when the petition comes in -- and as David had mentioned, we would reach out to the requester of this particular extension -- because there is a statement at the end that they had an interest. It's not a formal rule request, but my staff can certainly reach out to them and provide some guidance. If they are interested in pursuing a rule request, then there's a process that they can enter into. The rules could take up to six months, but if we were going into the rule process, and let's say we were at the post-public comment period, knowing what was, where people were, and then you had some positions on that, it could forecast whether or not those rules are likely to move or not. And, therefore, you can either talk about that last date or not.

Member Garrett: I was just trying to say, we don't want to say the last time not knowing what's going to be going on at that point, with the status of the rule. So I'm just trying to keep you from putting the right and left foot in your mouth. (laughter)

Chair Postman: Yes. And so, I think I just made conflicting statements. On the one hand, I said, I'll be interested to see what happens to the virus come September 30th. So, yes. I will keep an open mind to that and keep both feet out of my mouth for now. But, I do think it's important to be as clear as we can...

Member Vollendroff: I do, too.

Chair Postman: ...that none of these allowances were meant to be permanent, and some conflict with statute, and I don't think we can justify that. And I just really want people to hear that. These are allowances. These are temporary allowances based on circumstances of the moment.

Member Vollendroff: Yes.

Chair Postman: So when we get close to the next expiration, we'll look at what that moment looks like and see. I would -- that's what I will put in my head. It's like, what's happening with case counts? What's happening with schools? And things of that sort. What's happening with the labor market? Maybe we don't need all the same things on the alcohol side, either. So we need to be open and dynamic, thinking like that. So, Ollie, thank you for calling me on that. I shouldn't say it's absolutely the last time we'll extend it, but I do think if people think this should be permanent, permanent would have to be through rules. I don't want to continue this over and over and over again and make it essentially a permanent thing based on temporary extensions.

Mr. Nordhorn: I would also offer to that perspective, I think there's a sense of, at least from staff that, if the Governor were to lift the State of Emergency, which has not been lifted yet --

Chair Postman: Right.

Mr. Nordhorn: If that were to be lifted, then the allowances should dissipate at that particular point because there is no more justification to continue with the allowance without permanent rulemaking.

Chair Postman: Well, that's a good point. And conversely, if he were to re-impose certain mandates in workplaces or travel or whatever as we did when things were bad, we would take that into consideration, as well.

Member Vollendroff: Right.

Mr. Nordhorn: So, I will circle back with our policy team, and then Brian [Smith] and I will work communications, and we'll hopefully get some messaging out this week. Hopefully, sooner than later, but not knowing what's on everybody's plate, I don't want to commit them to something that I can't deliver on.

Chair Postman: And will you communicate with our letter writer, as well, to make clear what that process would be if they're looking for a formal request?

Mr. Nordhorn: Absolutely...

Chair Postman: Thank you.

Mr. Nordhorn: ...we'll definitely reach out.

Chair Postman: Okay. Great. Thank you for taking us through this. Appreciate it.

Mr. Nordhorn: Absolutely.

Member Vollendroff: Thank you, Justin.

RULES UPDATES

Chair Postman: All right. Our next item is a general rules update. I'm going to turn it to our Senior Rules Coordinator, Audrey Vasek, and see if she wants to go first. I say "Senior" just because you were here before your two colleagues, that's all.

Audrey Vasek: Well, thank you, Chair Postman, Board members. So I'll just briefly go over the alcohol and the general rulemaking projects we have currently ongoing. I'll start with the axe throwing at liquor license premises. We're currently looking at bringing that CR 103 package for the Board to consider at the next Board meeting, which would be June 8. The public comment period ended back on April 27. We have been receiving a couple of follow-up questions, even though the comment period closed, just asking about the project status and things like that, but no further updates on that.

And then the project to implement Senate Bill 5940, the contract packaging services endorsement. We're meeting internally with Licensing staff, Finance, and Enforcement and Education to develop some conceptual draft rules for that. And after we develop those rules, we'll look at distributing those publicly through GovDelivery for feedback. We are hopefully looking at having them ready later in June or early July.

For the electronic transmission of documents for service and filing -- which is general rulemaking because it's applicable to not only the alcohol licensees but also to cannabis, vapor and tobacco. The public comment period opened on May 11, after the Board approved the CR 102. We haven't received any comments yet, but the comment period will remain open until the end of day on June 22, which is when the public hearing is scheduled.

So, those are all my updates. Are there any questions you have about any of those projects?

Member Garrett: I don't have any questions. But, David, you missed Jim's big announcement about axe throwing.

Chair Postman: What's that?

Member Vollendroff: Oh, I just shared at the last meeting that I actually went to the axe throwing venue here in Seattle to experience it myself. I'm one of those individuals when making and contemplating a decision, I like to see things and talk to people, and so I made a visit. I have a follow-up meeting with Audrey and Robert tomorrow to get a little bit more information. So, I'm just gathering data and information and thinking about impacts from a lot of different angles before our next meeting.

Chair Postman: Great. Well, what was the experience like?

Member Vollendroff: It was a good experience.

Chair Postman: Yeah?

Member Vollendroff: I thought that the particular organization had things well organized, and the safety protocols were clearly in place. The staff was committed to the process that they had put in place to assure safety. It happened to be Mother's Day, and so there were families there with children, throwing axes, and it was an overall good experience from that perspective. I had a good time and threw a few axes myself and got a little better in the meantime. It was an overall interesting and positive experience.

Chair Postman: That's great. I can't quite imagine what my mother would have said if I one day said "we're gonna go to axe throwing for Mother's Day, Mom". Well, that's good. Yes. Ollie has been trying to get me to go throw axes. I just haven't made it to Seattle, but I still have some time. So maybe I'll try. I'm afraid I'll hurt myself.

Okay. No questions, Audrey. Thank you.

And then we have other updates from Jeff Kildahl on the Cannabis side. Good morning.

Jeff Kildahl: Good morning, Chair Postman –

Member Vollendroff: Hi, Jeff.

Mr. Kildahl: -- and Members Garrett and Vollendroff. Thanks for the opportunity to be here today. I would just like to provide quick updates on two rulemaking projects.

At the Board meeting on June 8, I plan to present the CR 103 package for the Board's consideration for the permanent rules regarding pesticide action levels. These rules update technical information for several pesticides that are allowed for use with cannabis, and this update also is being done to ensure consistency with the cannabis quality control testing rules that we recently completed. And that change will include removing some language about remediation of cannabis products that is no longer consistent with the quality control testing rules. This rulemaking would also remove redundant language and would replace the term "quality assurance testing" with "quality control testing." So, that will be ready for consideration at the next Board meeting.

And then at the Board meeting on July 6, I plan to present the CR 103 package for permanent rulemaking regarding Second Substitute House Bill 1210, to replace the term “marijuana” with the term “cannabis” throughout all of the LCB’s rules, which are in Chapter 314-55 WAC. For the 1210 changes, the 45-day public comment period extends until Saturday, July 2, 2022. And under this timeline, these rules would become effective 31 days after July 6, which would be August 6, 2022.

This concludes my update for today and I'd be happy to answer any questions.

Chair Postman: Seeing none. Thank you, Mr. Kildahl.

Mr. Kildahl: Okay, thank you.

Member Vollendroff: Thank you, Jeff.

Member Garrett: Thank you.

Mr. Kildahl: Thank you.

Chair Postman: And Robert DeSpain, anything to add to our update today?

Robert DeSpain: Good morning, Chair Postman. Good morning Board Member Garrett and Board Member Vollendroff.

Member Vollendroff: Hello.

Mr. DeSpain: So last but not least in order of seniority, I guess. (laughter)

So, I won't add to the current projects that Audrey and Jeff have already mentioned. I will say there is one additional project that we just started, I think two weeks ago. You approved the CR 101 related to expanding and clarifying the evaluation of additives, solvents, ingredients, or compounds used in the production and processing of cannabis products. And so as part of that, I just wanted to make a plug for the fourth “deliberative dialogue” session on cannabis plant chemistry, which is going to be next Tuesday, May 31. There is not a lot of movement yet since filing the CR 101. We have our first rule drafting session this week, and the second rule drafting session, internally, is going to be just after the May 31st “deliberative dialogue” session. We are really hoping that we get a lot of good discussion in these “deliberative dialogues” and that that will help inform the direction we go with the conceptual draft rules.

And then we have an additional “deliberative dialogue” session in June, and then a third rule drafting session after that, and then tentatively a “listen and learn” session”, which is when we would have a more structured conceptual draft ruleset, would be planned for, currently, tentatively, the second week of July. And so then, we would have a lot more specific feedback from stakeholders.

We have some other potential rule projects on the horizon, but I think Dr. Hoffman has already addressed those with all of you. And I don't think those are ready for presentation yet. But we are actively trying to progress and move forward with these.

Chair Postman: Great. Good. Thank you, Robert.

Mr. DeSpain: Any questions?

Chair Postman: Seeing none.

Mr. DeSpain: Okay, good. Thank you so much.

Chair Postman: Of course, have a good day.

AGENCY UPDATES

Chair Postman: Now, we'll turn to our Director, Rick Garza for any general agency updates. Good morning.

Rick Garza: Good morning, Chair Postman, and Board Members Garrett and Vollendroff. Good to see you today. I have a couple of topics I wanted to cover today. I wasn't with you a couple of weeks ago at EMT, I was out of town. And so it may feel a bit redundant, but I just wanted to cover a couple of topics.

First, as you know, we've been trying to do what we can to assist our cannabis retailers with the rash of armed robberies that occurred in the last few months. And just so you're aware, as you know, we partnered with the Washington State Crime Prevention Association to create training -- virtual trainings -- 10 to 12 are planned. The first was held on May 12 in Seattle, and it went quite well. And we'll get you some specifics from Chandra when we have it. But according to Chandra, there were a number of licensees present, so we'll continue to do that.

As you also know, we used our emergency contract process to establish a contract with a security firm to provide assessments, and to literally go to our retail shops, work with them, and see what they can do with respect to recommendations to make a more secure place for them. And today, we'll be sending an email out to all of our retailers where they can sign up for that. That can begin in the next few weeks, just so you're all aware. And as you well know, we're paying to provide that to our retailers. And so just wanted to get you up to speed with the work that's happening there. And, frankly, will take any questions that you might have.

And for Jim, if Jim has not been involved in this process before, but I think he may have -- we go through every two years because we're a biennial budget and legislative front here. We have an agency request process, where agencies of the state can bring forward proposals. And we typically start that around June, but we're starting it a little early in May. There is a timeline that Chris Thompson -- and I'll make sure that you have that if it has not been given to you -- a timeline that we use. It starts in June. Typically, it takes us to when the proposals are due to the Governor's Office, which is typically late September, early October. But I'll provide that to you. And within that timeline, it is all the different things that have to happen in order for us to get that. I'll start with first we go to the divisions, which we've done and said, "Do you have any proposals or ideas that you have that you'd like to bring forward?" Typically, you're going to see that in Licensing and Enforcement, for the most part. We had a couple of bills last year that you are both aware of that went forward, but we began that process. And in the next couple of weeks, I think on June 10th, the team will meet to go through those proposals. It gives us a month.

Typically, what we'll do is we won't make decisions to bring forward until we've had an opportunity to speak with all of you, but we will begin to vet those and then ask for more information. There's a template that we will also provide that is pretty simple to bring a proposal forward with really obvious questions -- I don't have it in front of me -- but what is requiring it to be done by statute? Can we not do it by rule?

What's the fiscal impact of the proposal on the Agency? In other words, are there other ways of accomplishing this without taking legislation forward? And we've been using that process for many years, but I just wanted you to be aware. I will send you a copy of what that looks like. Thinking about that process, one of the things that I want to change a little bit that we have not done in quite some time, I'd like to have Justin, myself, and Chris meet with you individually to hear any ideas you might have about legislation, ideas, proposals.

Jim, I'll just use one of them that you shared with me the last time we met. You said, "Rick, it's my understanding that we used to have a research position within the agency." And I said, "We did, Trecia Ehrlich, who is now over at WSDA was someone that we hired." When we were putting the system together for cannabis, one of the things that we realized is we don't have anybody that can least get to a clearinghouse of information or research or science around cannabis that would help us when we're making decisions with respect to policy, rules, or legislation. So we brought Trecia in for that period of time. Well, Trisha then got picked up by WSDA /Agriculture, where she is now, and then we were going through this rough period with the pandemic that you might all recall when we were looking at making significant staff reductions that the Governor was bringing forward because of lack of revenue.

Of course, everything turned the other way, but we made a decision at that point to not fill the position and, frankly, have been using the resources of CANNRA, the Cannabis Regulators Association, to help inform us and educate us around issues around cannabis. But I recall your question, Jim, and I think it's a good one to look back and meet with the staff to talk about. Is this something that we want to put our resources toward as someone who can assist us with more research? And it's not just in the cannabis space, but I'll be honest with you, that's where it felt like it was more lacking. We've been regulating the alcohol entity for some time. And as you know, you did some of the work yourself. There's a lot of science and research around alcohol where it's absent in the cannabis space, especially in our country because of the prohibition federally.

So, anyway, I will get Chris, Justin, and I to get some time with each of you individually to hear your thoughts if there are some thoughts that you have, not only budget-related but policy-related items that are bigger than some of the divisions are looking at. Typically, they're looking at the areas of the operations that they have, whether it's Licensing or Enforcement. So I honestly have not talked to Justin or Chris about this. But I thought about it in the last few days and thought, rather than just giving you the opportunity to know what proposals come forward from other division directors, it would be good to engage with you all to hear if you think there are some things that we need to consider, and I think about it all as it relates to social equity and some of the work that we suggested last year and whether we want to as an agency move forward with something. And then, Jim, knowing your background and there are other areas that we need to consider that we haven't.

And then David, as our Chairman, is so ingrained in and helpful with us in all the work that we're doing with the policy workgroup. And I know you had the opportunity to join us recently, Jim, to see the work that we do week to week. And so that was something that I wanted to share with you all.

Also, I don't want to forget that as I talked about the armed robberies in the issues there, it's really predicated by the fact that I can't use a credit or debit card when I go into a retail shop. So there has been a lot of work that David has been a part of, including a staff meeting with Senator Murray's office, which I think I've shared with you, Senator Cantwell's office, and yesterday with Congresswoman DelBene's office. They all three happened to be conferees on what's called the Competes Act, which has a provision to allow for state banking. And so we continue to work our two US senators and anyone in our congressional delegation, but DelBene specifically, because she is one of the conferees to help us do

everything we can to try to get Congress to act. And who knows what will happen there. But David had been part of those discussions with us. And it's going quite well. We'll continue to do that. I know we have reached out. As you know, our state elected officials, Governor Inslee, our AG, our Treasurer, and Lieutenant Governor have forwarded letters of how important it is for Congress to act on this. So, David, I don't know if you want to share anything more that I probably missed, but I just wanted to share with you we continue to press upon the need for the SAFE Banking Act, which would really begin to deal with the issue that we have of cash in our stores.

Chair Postman: No, I think that's a good roundup. Just my personal thought is that it's going to be an uphill battle. The House has passed that bill five times, and the Senate under Republican control didn't. Now under Democrat control it seems a leadership as opposed to it. Not to the very thing but they want to wait until they can pass a much larger cannabis bill that would legalize or decriminalize and create a more socially equitable system for the market. But I don't know. You may be more optimistic than I am, but everybody we talked to it seems like it's going to be a heavy, heavy lift to try to get this through the Senate.

Mr. Garza: Yeah, I think you're right, David. Everything is a lift with Congress these days, even something as simple -- and seems like should be understood -- and how anyone could disagree with it. But you're right, David. I think there are a number of issues with it. And the one that you just spoke of that we talked about yesterday was Schumer, Wyden, and Booker have what is called the MORE Act that they've introduced to legalize federally. And one of the problems that we're having is they are not interested necessarily in moving forward any other proposal unless that proposal also moves forward. And that's the leadership of the Senate right there, with Schumer. So I think to David's point, it's not just Republicans that are problematic here. It's the leadership in the Senate, which has been where it stalled. I think it's actually been approved six times, including Lieutenant Governor Denny Heck, who is one of the co-sponsors and sponsors over the years of this proposal. So it makes perfect sense to do it.

And, again, I think you're right, David. It's going to be difficult, but I think we're doing everything we can to help.

Chair Postman: Yes. The only thing is that we're always very strong in our support for the goals that Senator Schumer and Senator Booker, in particular, talk about. We're working on the same issues here. I understand the concern -- their view is that if you do anything to basically expand cannabis businesses today, it gets harder for new people to enter that market. And we understand that, and we face that. But I think that this is an urgent situation that requires some common-sense public safety moves here. And without it, I don't think we're doing anybody any favors -- existing licensees or future licensees -- to allow the crime around these retail outlets and others to continue like this.

Mr. Garza: I agree. And I don't want to forget to mention thanks to the staff and appreciate the staff's work, whether it's the training, whether it's the contract we're doing with the assessments, the work that Chandra, Jim in Finance, and Brian in Communications is doing, the whole team has been really doing everything possible to do everything we can to try to do something to help with these armed robberies. And I kind of knock on wood saying, there appears to be quite -- we're seeing fewer than we saw when this first started, so that's a blessing in itself. But I just want to recognize that staff has been working hard to do everything they can. And there are even meetings continuing with the DOR, the Department of Revenue, and the Governor's Office, to look at potential legislation to possibly use some of the revenue that's created from cannabis to assist these businesses with the investments that they may have to make in order to make their location safer. And so those discussions are continuing to happen. David has been

part of that, and so we continue to try to do everything we can to assist. So I'll stop there and take any questions you may have.

Chair Postman: Any questions for Rick?

Member Vollendroff: I don't have any questions, but I do have a comment. And I just want to thank you, Rick, for the opportunity to sit down with you and staff to talk about the agency's request for legislation. I think that will be extremely helpful and valuable to all of our time and look forward to though to those conversations. So thank you.

Mr. Garza: Thank you.

Member Vollendroff: Thank you for your update.

Chair Postman: Great. Thanks, Rick. The only thing I'd add on the safe banking thing is that our CFO, Jim Morgan, let us know that last week was the due date for the monthly tax payments, and for the first time since we legalized cannabis, his office, his team, received no cash tax payments. So there have been some months where there was just one, but we finally got to the point where there was none. And he believes that's not just the first time for us in Washington State -- but maybe the first time anybody in the country -- collected a month's worth of cannabis taxes with no cash. And what that tells us is there are some options for banking for those businesses, which is super important. There is not enough, and, of course, it doesn't do anything for the credit card services piece that the SAFE Banking Act really would help.

But, anyhow, I saw it as progress for the Industry, progress for us too, and appreciate the financial institutions in our state that are treating these businesses like they are. They are legitimate businesses that the voters have legalized. And so, a little bit of progress it was good to see.

Mr. Garza: Yeah, that just takes us back takes us back to the work at the time Congressman Denny Heck, and the Department of Financial Institutions, and the Governor's Office did in helping us get -- I think, at this point, what I saw yesterday because of questions that came from Congressman DelBene's staff -- about how many state banks, how many state credit unions are providing banking services? I think we're up to five state banks and four credit unions that are providing banking, which is why we've gotten to the point as Jim shared that we have everyone paying their taxes electronically, which is by far better than most states who struggle, as David said.

There is a whole reason for this, and it's how we license and how we enforce the cannabis industry that led to many of our state credit unions and state banks saying we're going to allow banking because they get some of the information that we provide on a monthly or quarterly basis of what the transactions are that are occurring in a traceability system. So they can make sure that the accounts that they have with these licensees fit with what they're telling us with respect to themselves. So for you, Jim, who is new to this, I can share more information. But that strict licensing process that we created is the basis by which we've allowed banking. It's really interesting, and most of the states don't have that. That's why they are struggling to get people to pay their taxes electronically. So I'll stop there. And appreciate the time with you.

Chair Postman: Great. Thanks, Rick.

Member Vollendroff: Thanks, Rick.

Member Garrett: Thank you.

BOARD MEMBER AND EXECUTIVE ASSISTANT REPORTS

Chair Postman: That takes us to the end of most of the agenda. I have just a couple of comments.

One, I was in DC last week. Coincidentally, it was Law Enforcement Appreciation Week in DC, which was evident from the time we got on our flight with members of the Seattle Police Department Drum and Pipe Corps. And on the way back, I ran into State Patrol Chief John Batiste, who is somebody I have always respected. And I know Director Brady was there, and she has shared some thoughts with her team about how meaningful that trip was for her and her son. And it's an opportunity to just shine a light on our law enforcement team. It is a law enforcement agency within our agency.

And one of the things I learned from reading Director Brady's notes even beforehand, when she left, she mentioned this. It is a dangerous law enforcement job, and our agency back in the Liquor Control Board days when we had agents, one who died in the line of duty and is remembered on the Police Memorials, Agent Melvin Journey. This is back in '77. He was ambushed in the driveway of his house. He was the target of a mob hit. He was shot five times, and he survived that. But it turned out that his emergency blood transfusions were tainted with Hepatitis C and later in life, he died from that Hepatitis C. And so he is remembered as dying in the line of duty. And I mean '77 seems like a long time ago in some ways, but to think about -- and he was looking into issues around some organized crime around alcohol and strip clubs and others, and it's just not that long ago.

And sometimes we all don't think about our folks as law enforcement in that same way, because they don't wear the same uniforms now, but one of the things I found when I was reading about law enforcement officers lost in the line of duty was comments from former President Obama during one of the Law Enforcement Appreciation Weeks while he was in office, and I think he was trying to make the point of who all are law enforcement as he says, "whether Deputies or Detectives, Tribal Police or Forest Service Officers, Beat Cops or Federal Agents, we hold up all those who wear the badge as heroes. Though they too often spend their days witnessing America at its worst, in their extraordinary examples, we see America at its best". Now, he didn't specifically mention Liquor and Cannabis officers in that line, but I think it is really important for all of us to just look at law enforcement in that big frame.

And I will just say in closing, and I've said this before, but in my interactions with our Enforcement team, I see that professionalism, the integrity, and at the same time an acknowledgment of how the news industry we regulate is growing and changing. And they maintain an open mind about how to evolve along with that industry and the state's growing acceptance of the market. That's not easy in any line of work, I don't think, and I appreciate the work they have put into evolving and coming to the place they are today. So I guess, take this as a belated acknowledgment of Law Enforcement Week, and we do appreciate our team a lot and support them in all they do. So that's all I had. Any other comments from Board members?

Member Vollendroff: No, actually, I was going to just echo your appreciation to our Enforcement Team.

Chair Postman: Great, thank you. And I think when you get a chance to do some ride-a-longs, you'll get to see that in a different light, too. It's a lot of fun. I found those...

Member Vollendroff: I'm definitely looking forward to that.

Chair Postman: ...to be really helpful.

Dustin, any Executive Assistant report today?

Dustin Dickson: I'm going to spend another session this afternoon with IT and Communications in the Boardroom as we are gearing up for the opportunity to at least somewhat return to in-person meetings in the middle of June. We're not quite there yet. We're not quite ready. We've still got some things to iron out, but we made a lot of progress last week and hope to get that buttoned up this afternoon.

Chair Postman: That's great. And when they would say is clear from what they're doing is working on the IT, is that when we talk about "return", we will not be doing away with the online presence. This is going to be a permanent function of the LCB for people to be able to attend and participate in our meetings from anywhere. And we are looking at what we would do then also as an in-person, and that is still in the works to figure out exactly what that is. But we think that the online meetings have been a great success. We see people from all around the state who are able to join us for not just public hearings but public comment periods, as well. So that will still be a part of it, and we will make sure everybody knows. However, this is going to change or broaden to have any in-person piece of it, as well. All right. Thank you, Dustin.

Mr. Dickson: Of course.

Chair Postman: Then, that is the end of our Agenda. We will adjourn. We do not have a Board meeting tomorrow, but we will be back next week with a full agenda at Caucus. So thanks for joining us, and we will adjourn the Board Caucus meeting for Tuesday, May 24, 2022. Thanks, everybody.

Member Jim Vollendroff: Thank you. Thanks, David.

Member Garrett: Thank you.

TAKEWAYS

- Rick – Continue to update Board members on agency request legislation

Meeting adjourned at 11:02am.

Minutes approved this 22nd day of June, 2022.



David Postman
Board Chair



Ollie Garrett
Board Member



Jim Vollandroff
Board Member

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