



# **House Commerce & Gaming Committee**

October 21, 2021

Policy and External Affairs Director Justin Nordhorn  
Enforcement and Education Director Chandra Brady  
Legislative Relations Director Chris Thompson  
Cannabis Examiner Manager Kendra Hodgson  
Chief Financial Officer Jim Morgan



# Current Challenges

## Ongoing COVID Restrictions

- Part of state Emergency Operations Center response
- Mask mandate
- Child care issues for rural producers
- Medical patients concerns about accessing product in person following July 31, 2021 allowance termination

## LCB Response

- Re-activated certain allowances until Oct. 31
  - Cannabis curbside service
  - Hand sanitizer and mask giveaways by retailers
  - Curbside and walk-up retail windows
  - Minors present on premises of cannabis producer/processors impacted by school and daycare closures



# Current Challenges

## Social Equity

- Social Equity in Cannabis Task Force developing criteria for additional licenses dedicated to those disproportionately harmed by the War on Drugs.
  - Task Force created by 2020 LCB-request legislation (E2SHB 2870)
  - LCB Board Member Ollie Garrett on Task Force
  - LCB staff contribute to but do not staff Task Force

## LCB Response

- Held facilitated community meetings in Fall 2020 to hear from communities impacted by the War on Drugs
- Ongoing contributions to Task Force and its sub-committees
- Published Social Equity website for potential applicants
- Hired Diversity, Equity, and Inclusion Manager (Oct. 2021)



# Current Challenges

## Hemp-Derived Cannabinoids (Delta 8, Delta 9,...

- Potentially intoxicating, unregulated, untested
- Chemically derived from hemp-derived CBD
- Widely available online and mass-marketed
- Industry divided over how to handle

## LCB Response

- National issue with states responding differently
- LCB opened rulemaking in July
- Held “Listen and Learn” session with stakeholders (September)
- Communicated to licensees that D8 and D9 are prohibited in licensed businesses and followed with LCB enforcement/education plan.
- LCB seeking legislation that would clarify our regulatory role over emerging compounds



# Current Challenges

## Uncertainty of Federal Legalization

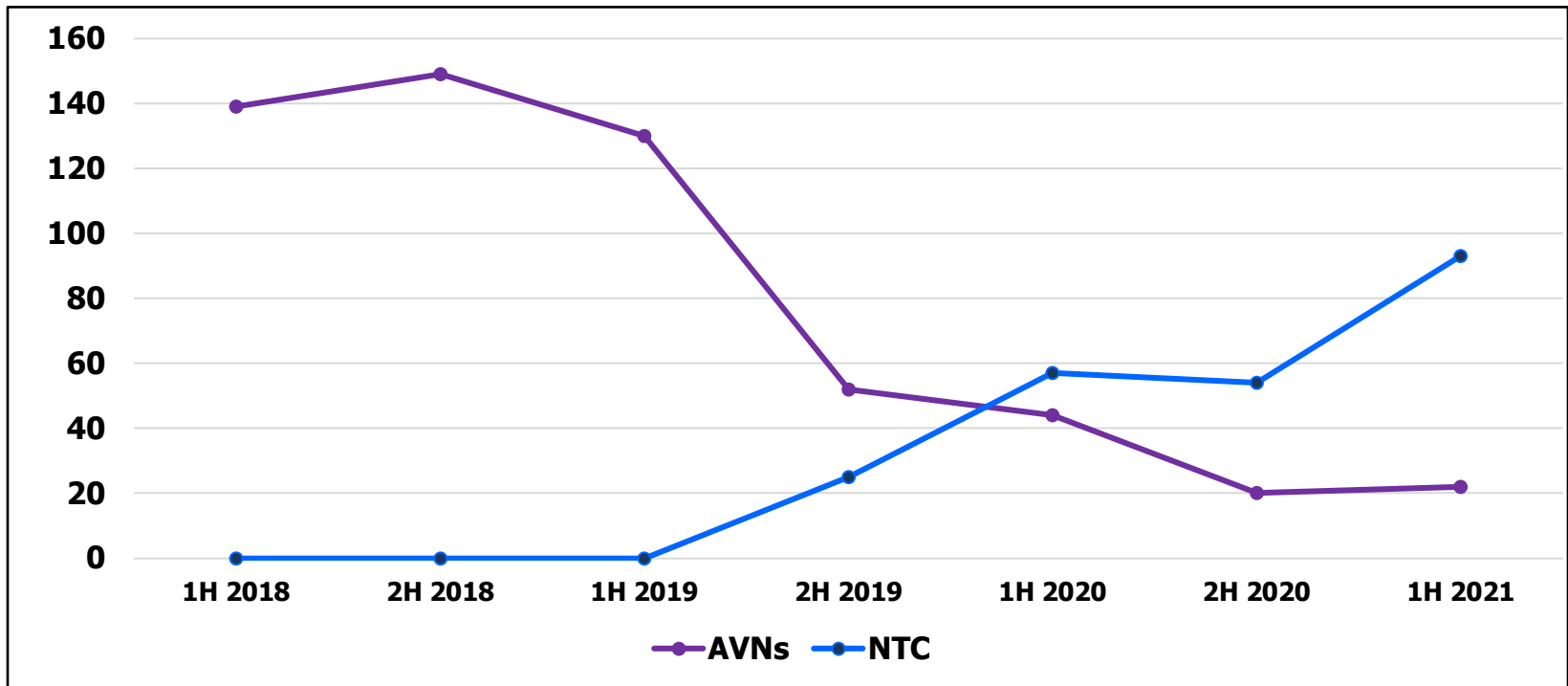
- Industry concerns over uncertain impact of federal de-scheduling and/or legalization of cannabis
- Federal action expected within 2-5 years

## LCB Response

- Currently providing feedback on draft Cannabis Administration and Opportunity Act
- Transitioning from tight traceability to reporting system (CCRS) in December
- Reviewing/drafting flexible rules where possible
- Working with new organization of state regulators (CANNRA) to share best practices and common voice



# Violation Trends



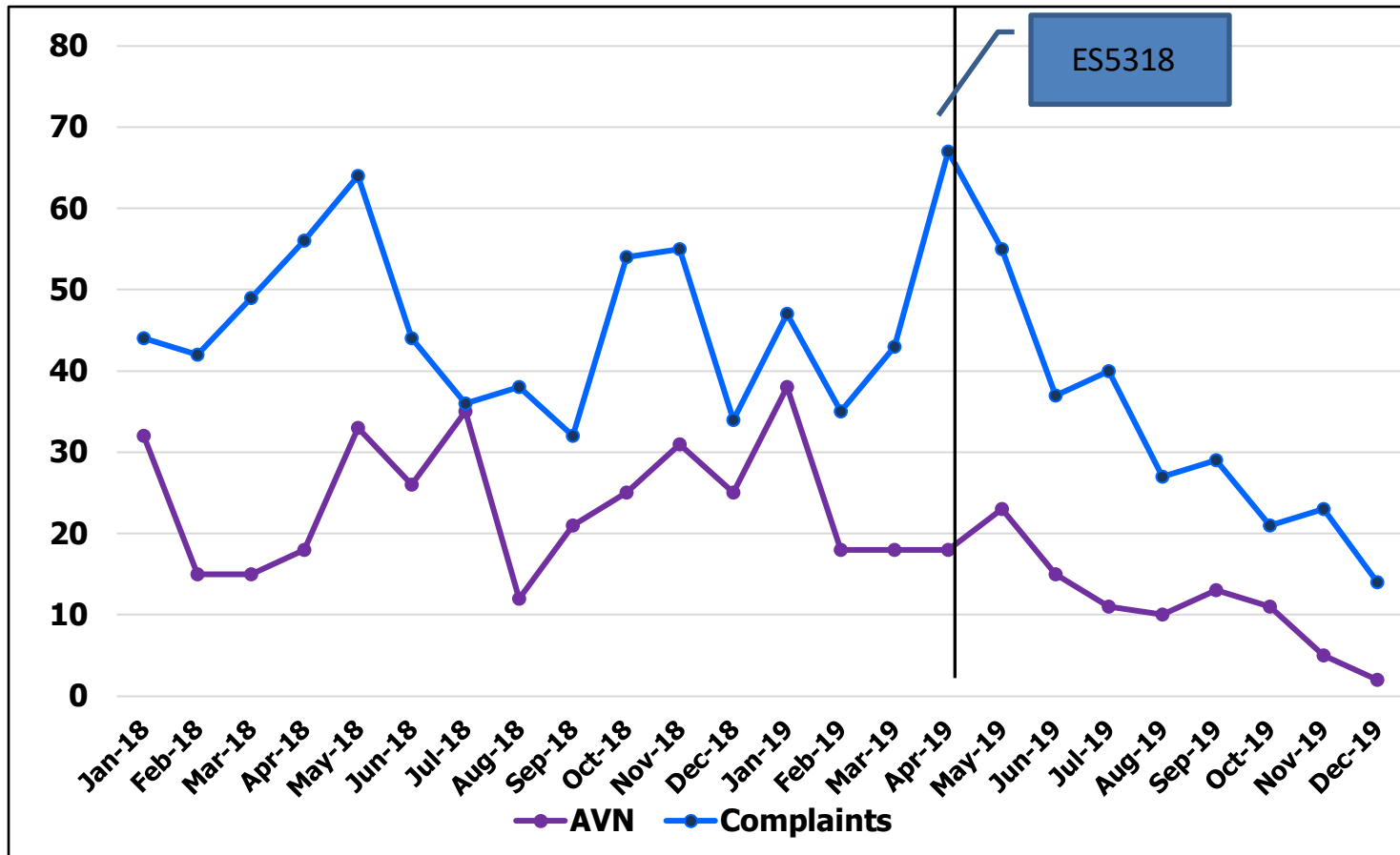
2019: E&E emphasis on education and supporting voluntary compliance in cannabis

NTC: Notice to Correct  
AVN: Administrative Violation Notice



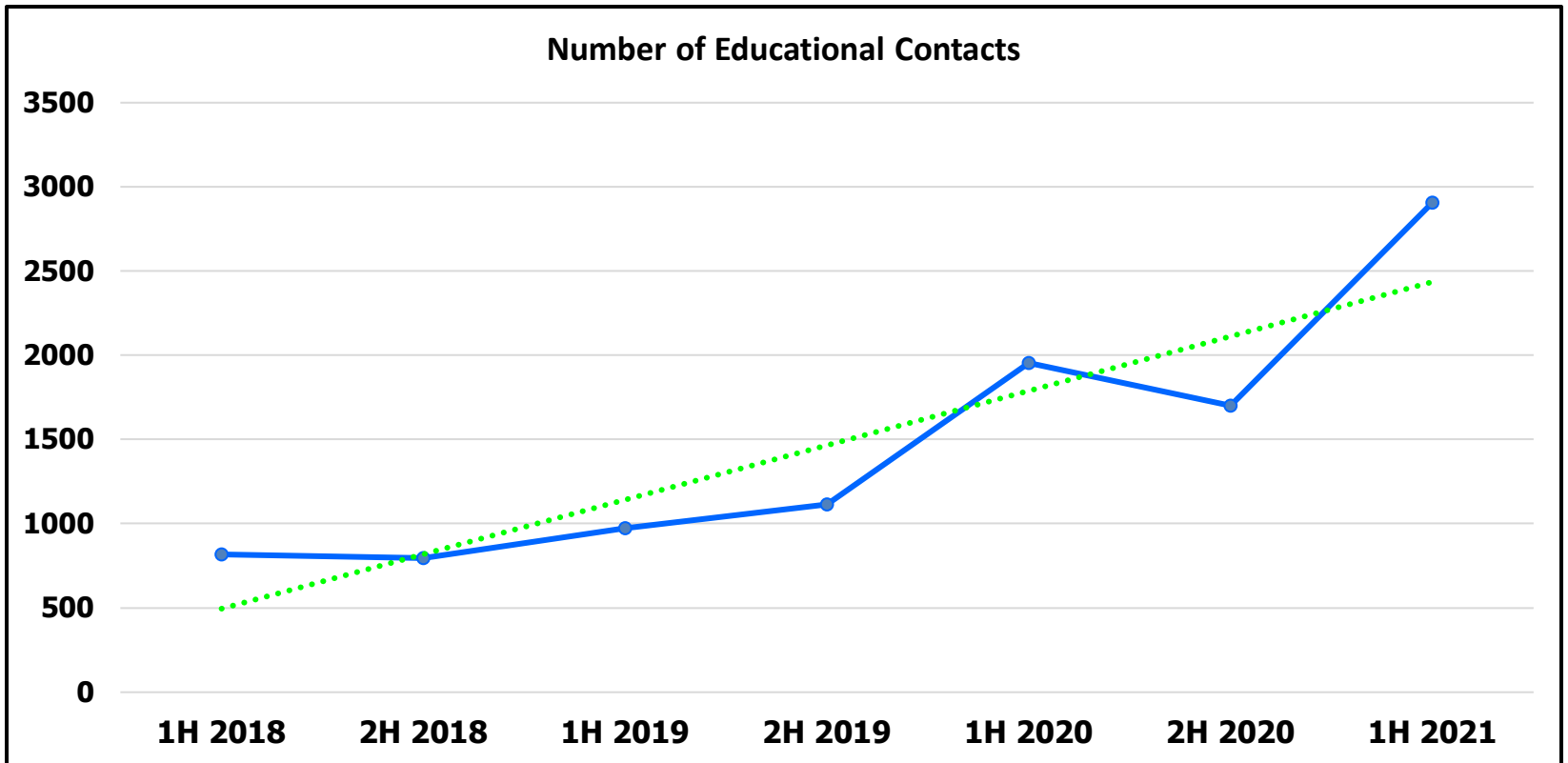
# Violations/Complaints: Trends

Jan 2018-Dec 2019





# Education Trends



256% increase in educational contacts from 2018 to 2021





# Consultation Visits

- Purpose: to offer a route to correct violations without incurring a penalty
  - 16 consultation visits (01 Jan 2021)
- Proactive work done by the Enforcement & Education
  - Officers are visiting business frequently
  - Increased number of educational contacts
  - Notice to Correct option available and successful
    - 95% gain compliance and no further action is needed



# Washington State Liquor and Cannabis Board

## September 2021 Status Report



# Licensee Support and Education

## Liquor Unit

- 1530 educational contacts
- 183 hours given
- 2060 people received education

## Cannabis Unit

- 375 educational contacts
- 113 hours given
- 635 people received education

## Tobacco/Vapor Unit

- 110 educational contacts
- 19 hours given
- 123 people received education

## Total for September

- 2015 educational contacts
- 315 hours given
- 2818 people received education



# Education

## Top Ten Educational Topics

Subject	Number of educational events
Covid-19	619
Regulatory	574
Youth access to Liquor	228
Public Safety - Over Service	134
Public Safety	75
Licensing/Permits	56
Tobacco Education	56
Youth Access to Cannabis	49
Advertising	41
New licensee support	25

- 63% of education provided was related to public safety topics



# Enforcement: Complaints

## September 2021

- There were 664 complaints logged with enforcement in the month of September
- There were 18 complaints against the cannabis industry, 600 in liquor, and 46 in tobacco/vapor
- 87% of complaints were COVID-19 related
- There was a 341% increase in complaints from August to September due to COVID-19 restrictions

## Summary

- COVID-19 complaints have reemerged as the number one complaint
- Met goal of 95% of complaints closed out within 60 days\*

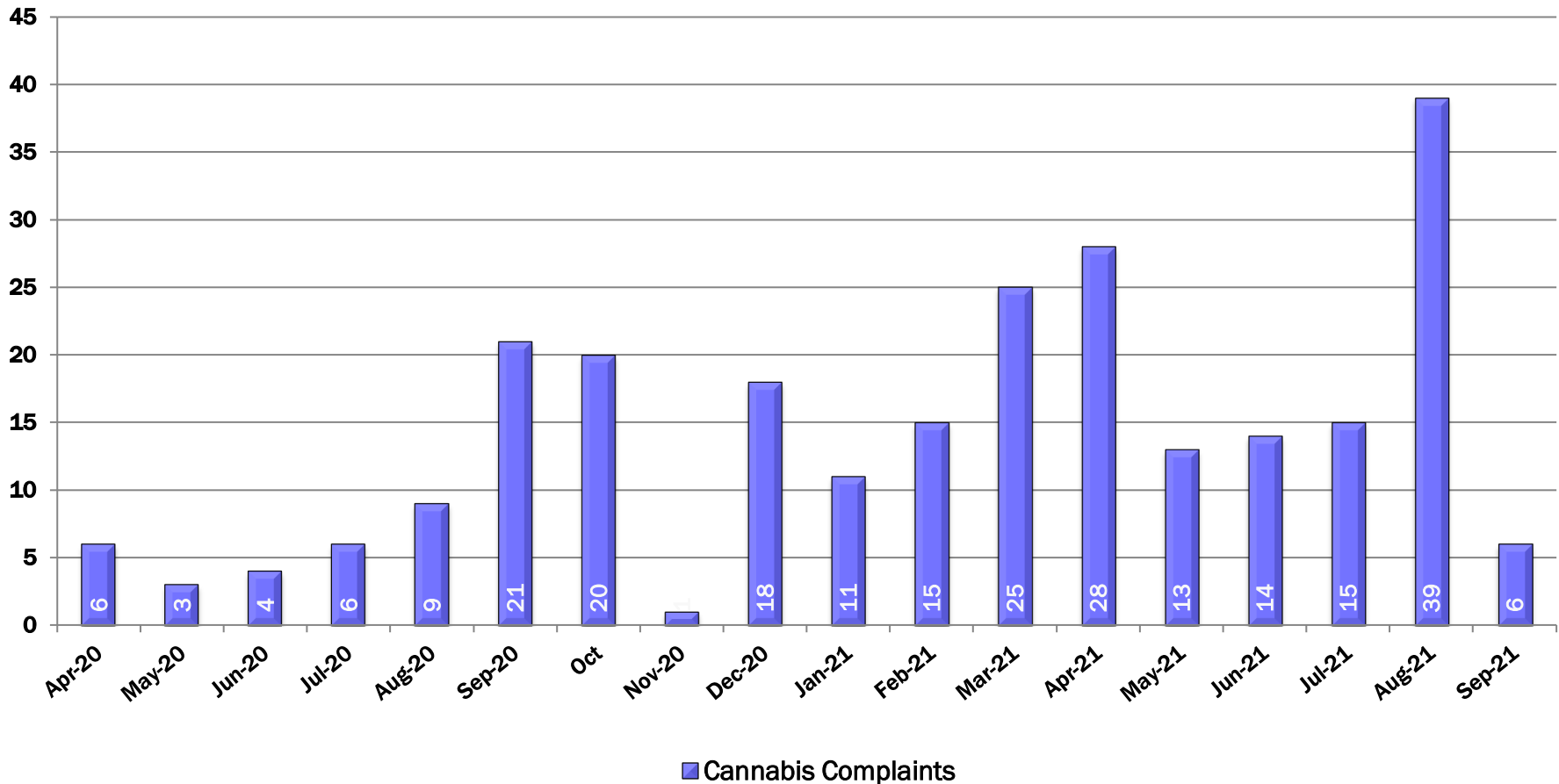
Days	Closed
1-10	75%
11-30	20%
31-60	4%
60+	1%

Division goal is to close out 95% of complaints within 60 days

\*Data based on last 90 days



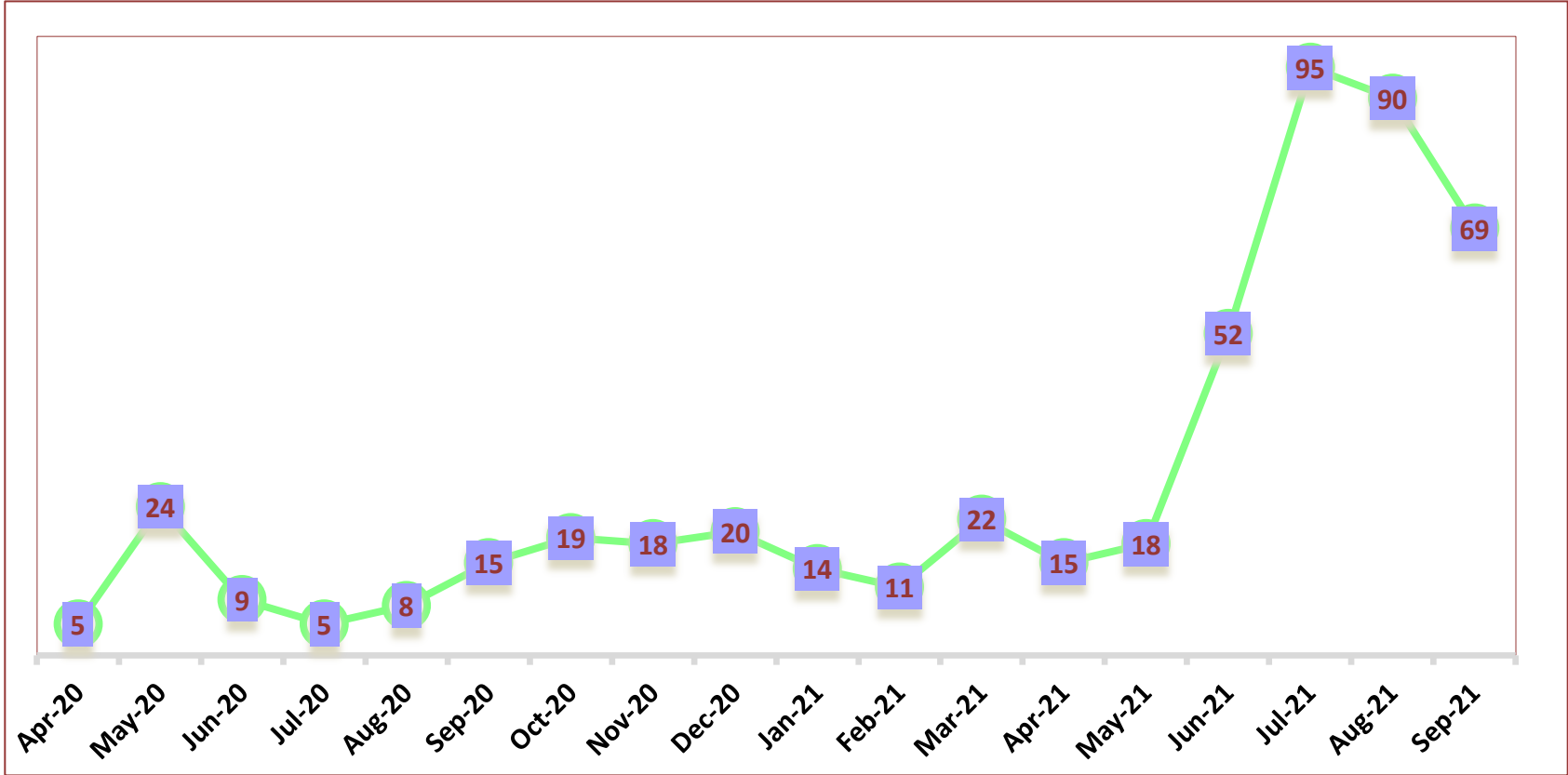
# Cannabis Complaints



- COVID-19 safety/health complaints are not included in the data



# AVNs Issued



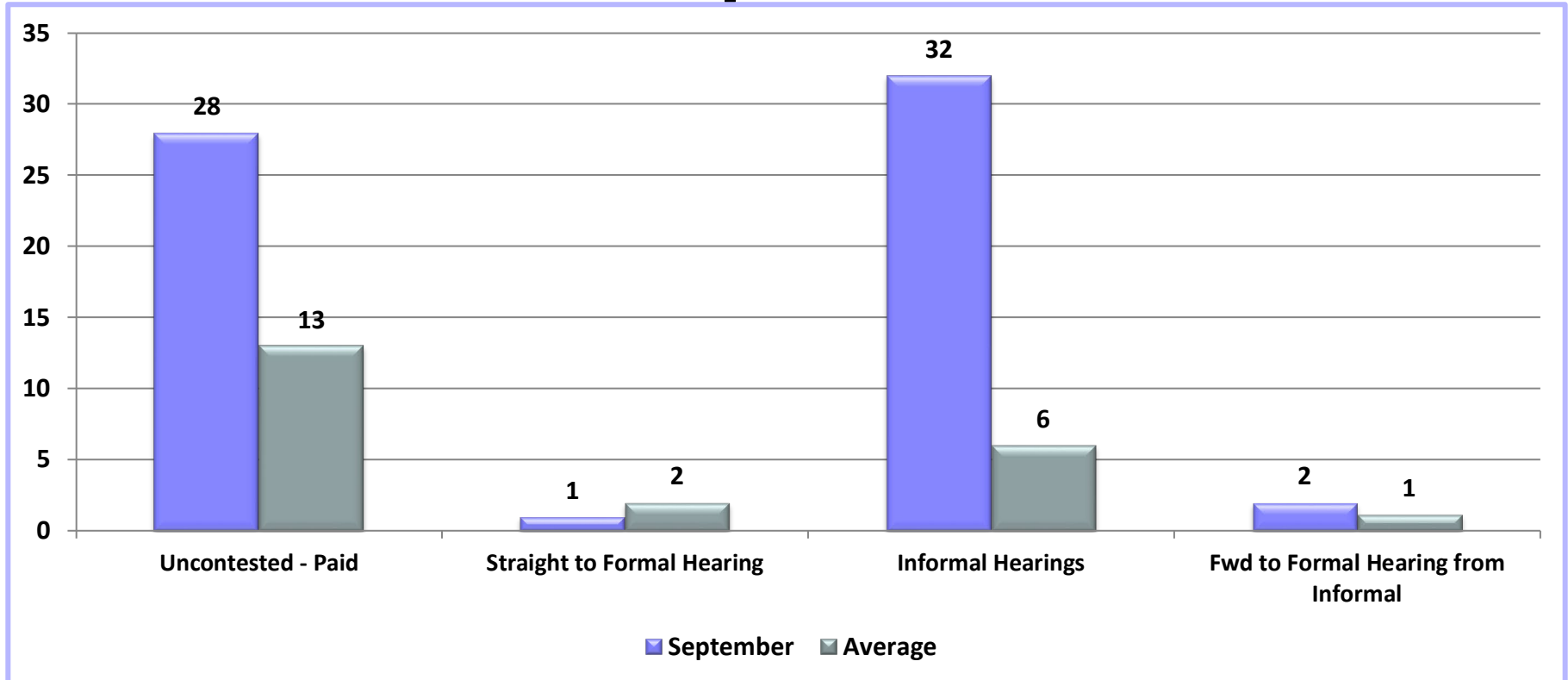
13% of businesses had a repeat violation in the last 12 months (due in part to businesses getting multiple COVID-19 violations)

Division goal is 5%

September	AVNs
Liquor	48
Tobacco/Vapor	19
Cannabis	2



# Alternative Dispute Resolution (ADR) Liquor

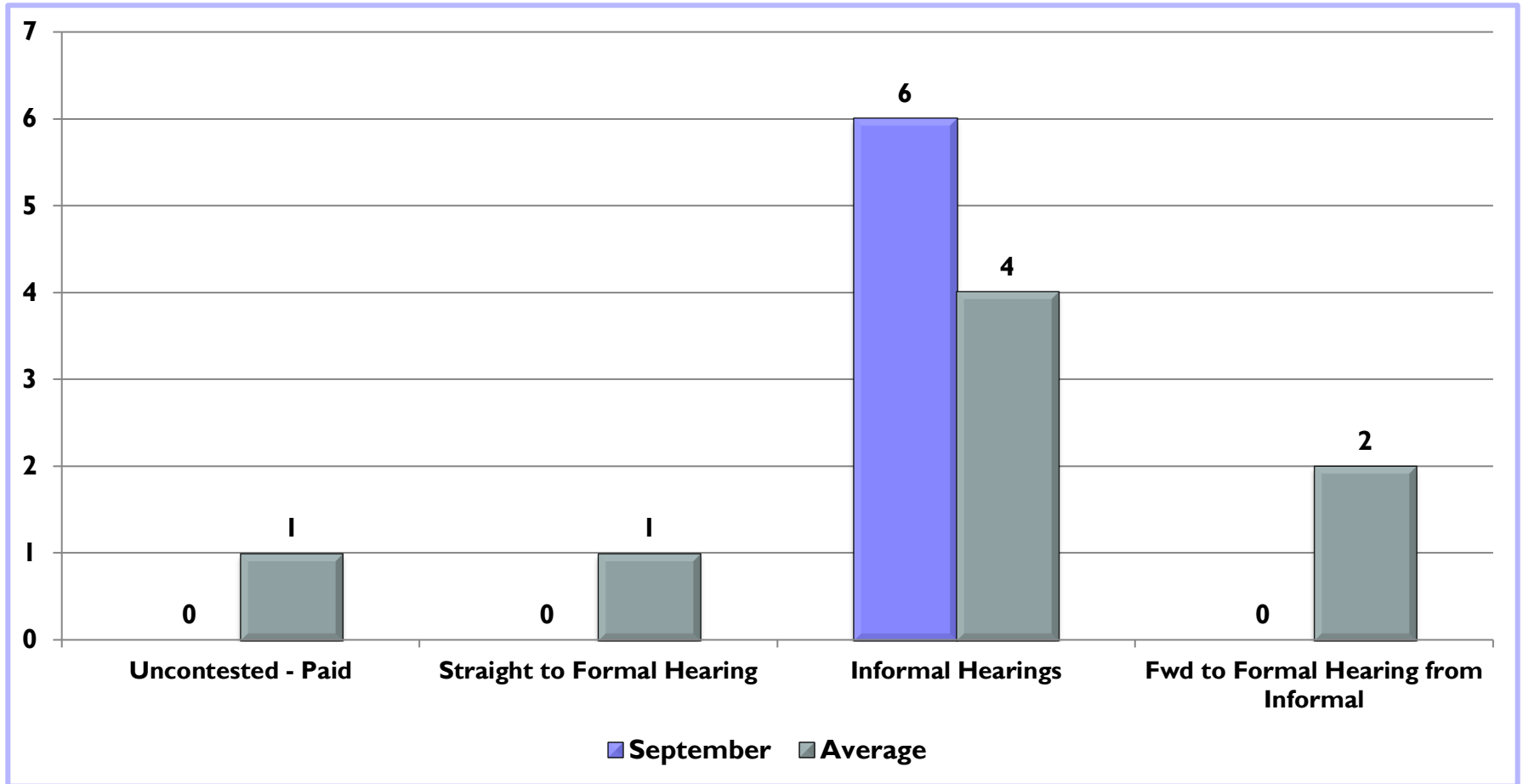


- Hearings scheduled two weeks out



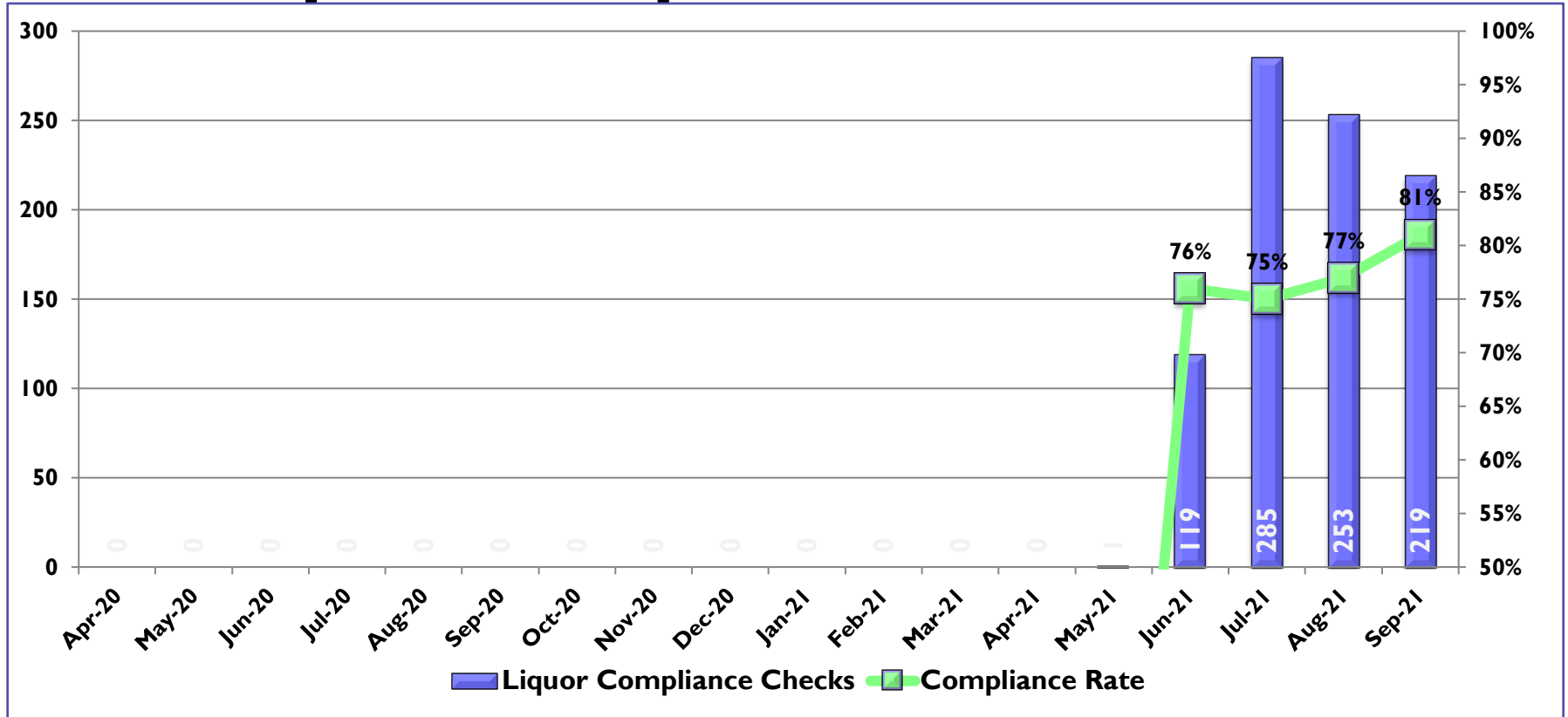


# Alternative Dispute Resolution (ADR) Cannabis





# Liquor Compliance Checks



- PREVENT YOUTH ACCESS: Compliance checks restarted in May 2021
- Compliance rate for CY2019 85% (Pre COVID-19)

\*Delivery compliance checks conducted: 19 checks with 12 sales, resulting in a 37% compliance rate. (data not part of the chart)



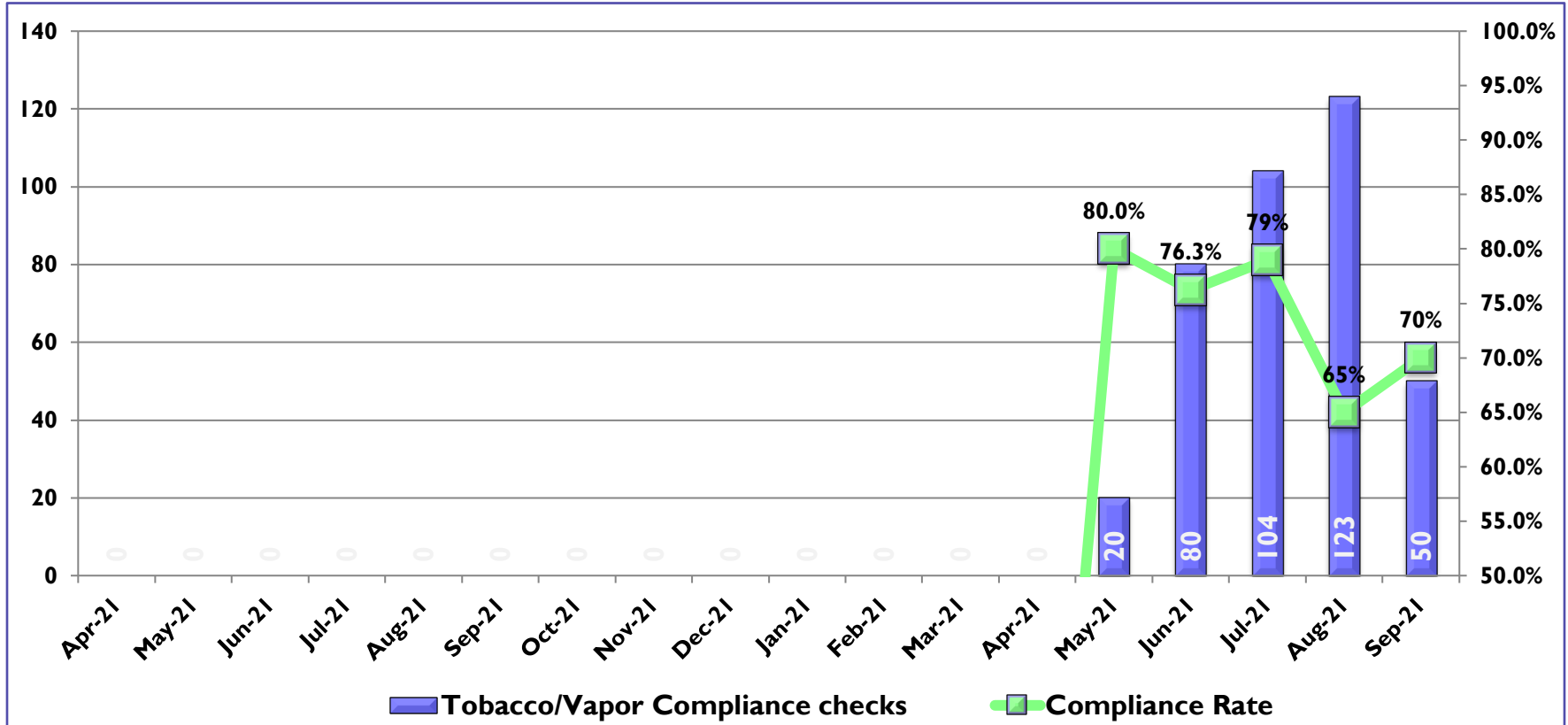
# Cannabis Compliance Checks



- Prevent Youth Access: Compliance checks restarted in May 2021
- Compliance rate for CY2019 96% (Pre COVID-19)



# Tobacco and Vapor Compliance Checks



- Prevent Youth Access: Compliance checks restarted in May 2021
- Compliance rate for CY2019 91% (Pre COVID-19)



# Agency Initiatives – The Board

- Board launched penalty rule changes Nov 2018
  - Restructured penalties around violation severity and relationship to public health and safety (rather than five categories of violation)
- Focus on compliance education, lessening severity of penalties
  - Fines cut by half or more
  - Cumulative impact of past violations reduced to 2 years, instead of 3 (Aligns with alcohol rules)
  - Significantly reduced number of violations that could lead to cancellation of license
  - Provided a deferral option
  - Balancing and better aligning penalties across license type
  - Incorporate provisions of SB 5318, such as notice of correction
  - Established Voluntary Consultation and Education Program



# Agency Initiatives – Enforcement

- Early 2019, prior to Senate approval of SB 5318, LCB issued RFP seeking enforcement guidance from national experts (Hillard/Heintze report) and licensees
- Implementation completed by early 2021
  - (report offered 10 key findings, 18 recommendations)
  - Cannabis unit: 50% Officers, 50% Compliance Consultants
  - Compliance consultants do not carry firearms
  - Presentation of staff altered (badges, apparel, etc.)
  - All officer position descriptions revised to emphasize education
  - Training expanded focusing on education, de-escalation
- Investigation of complaints policy revamped, now led by HR, with AG & Union partnership; and H/H guidance



# Agency Initiatives - Director's Office

- Re-Organization Forms New Legal and Policy Team
  - Rules, Policy and External Relations focus
  - Expanded rules staff
  - Directed by Justin Nordhorn
- Program started to offer Interpretive and Policy Statements
  - Provides licensees with a one-stop repository of policy statements and interpretations of statute, rule, or both
  - Focuses on consistency to support licensee compliance and success
  - Cross-divisional team examines questions brought by licensees and LCB staff
  - Example project: CBD sales in licensed I-502 stores



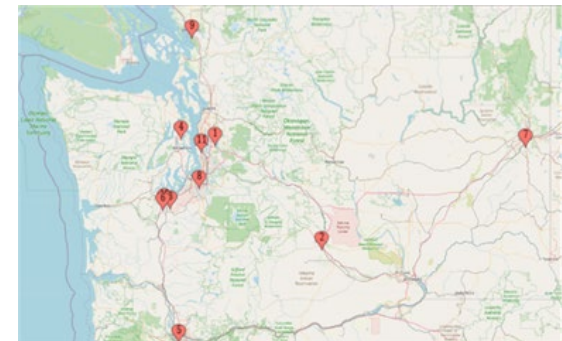
# Lab Updates

## Current Landscape

### 11 certified marijuana testing labs

- 5 labs have the optional pesticide certification
- 3 labs have the optional heavy metals certification
- 9 of 11 labs are located in Western Washington
- 2 of 11 labs are located in Eastern Washington

Labs complete two rounds of proficiency testing each calendar year and are reviewed annually after their initial certification review.







# Lab Updates

## Cannabis Science Taskforce

HB 2052 passed in 2019

## Deliverables to date

2020 Report

Pesticides in plants

Pesticides in products

## Upcoming Deliverables:

2021 Report

Heavy metals

Potency

Residual solvents

Microbial

Proficiency testing

Memo (for continuing work)

Microbial

Mycotoxins

Water activity/moisture



## Lab Updates

2019

Cannabis Science Taskforce formed

2020

CSTF Report 1 Submitted (7/1)

2021

CSTF Report 2 due December

2022

Planned Start to Implementation Work

2024

Lab Accreditation transfer to Ecology





# Traceability

- Cannabis 2.0 initiative reevaluated approach to regulating the industry
- Requirements for cannabis reporting were evaluated to determine what is absolutely necessary
- LCB staff engaged stakeholders including producers, processors and retailers
- Current traceability system contract expires in June of 2022
- Decision was made to develop an in-house system for reporting only rather than negotiate extension of contract for current system



# Cannabis Central Reporting System (CCRS)

- Key Benefits Include:
  - **Simpler.** Reduces complexity of reporting which reduces margin for error
  - **More flexible.** Licensees perceive the framework to be more flexible for operational efficiencies; and
  - **Potential of lower costs for compliance.** Licensees may see a reduction in business and compliance costs.



# Cannabis Central Reporting System (CCRS)

- Communications:
  - Ongoing updates about project being sent to industry list-serve
  - CCRS page on LCB website includes user guide, file specification manual, test cases, file templates, FAQ
  - General and technical webinars have been presented
  - System testing by licensees, integrators and labs throughout October
  - Projected go live December 2021



# Washington State Liquor and Cannabis Board

**Questions?**