

Jim Morgan: The status right now is the development work on the system has been completed. Our initial internal testing has also been completed. And external work, the first phase of external testing has been completed. We conducted a one-week pilot with a select group of six integrators, three licensees, and two labs. These were all folks that were selected for their interest and their engagement, and they were all very engaged in testing and helped us find a number of things that we needed to fix. Fortunately, none of them were serious problems or showstoppers, and they have all been resolved. At the beginning of last week, we opened up testing to all stakeholders, all licensees, integrators, and labs, and that process is ongoing. There were a few more issues that were discovered through that process, and they have also been resolved. So, as of right now, we have no outstanding issues that we're aware of with the system.

So, to get the project rolling and to get our stakeholders engaged, we began at the beginning of September and held a general webinar that was open to everyone, and it was more of an overview of the project, where we're going, what people should expect. We had very good participation in that several hundred folks joined that webinar, and it's also been posted to our website, so others are able to go back and view that. In addition to that, at the beginning of our external testing period, we conducted a technical webinar that went over the technical aspects of the project. Informed people of where they can find project resources such as the FAQs, step-by-step user guides, file templates for their uploads, and a lot of other technical stuff that I won't go into because I don't know. I'm not the technical guy. But that was well received, and there was good participation there, as well.

In addition to that, we've had several targeted communications to keep our stakeholders informed of what's happening and what to expect, and those will be continuing throughout the project. We are still on track and on our schedule for a mid-December go-live date. I have had some concerns and questions from interested licensees, integrators, and such, and one of the common themes has been concern about the schedule. Now, with the status of the application as it is right now, we're very confident that things are going to work, and licensees should be able to make that transition without a lot of trouble. And particularly since one of the primary focuses of this whole system is we're getting out of their way.

With the current Leaf Data System, it's possible for issues with that system to cause business disruptions. Certain transactions have to flow through our system. Certain processes need to be conducted for business to take place. We're getting all the way out of their way. And this is reporting only tell us what you have, where it is, and what you've done with it. When product moves, we need them to tell us that. We need them to tell us what they have and what they've done with it. So that's been very well received, but it's also part of the nature of one of the concerns that we've heard, and that is how product will be moving, facilitating the movement of product from one licensee to another. Right now, those transactions flow through Leaf and inventory comes out of one licensee's set up in Leaf, and it gets added to the receiving licensee's set up in an automated transaction.

Now, they will have to find different ways to do that. And we're really just putting them on a level playing field with all of our other licensees. We don't get in the middle of transaction flows for liquor licensees or tobacco licensees. All of that happens in the industry, and they find ways to facilitate that. We have heard some concerns that that's going to be a burden on some folks figuring that out, but the concerns have been fairly limited, and at this point, we haven't heard that that's a widespread concern. So, we're keeping our finger on that pulse, and we want to avoid any significant disruption of the industry, but at the same time, our goal is not to make it absolutely -- we're not in a position to make it pain free for them. No. It is a transition, and we want to set them up for success as much as possible, but there will be some inconvenience as opposed to a few years ago when we made our transition to Leaf.

Just the very nature of the system that we're moving to, it really makes it so that those kinds of disruptions are no longer going to be possible. The worst-case scenario is if our system is not functional on day one. They continue

to do business, and we're just not going to be receiving their files. That's not a likely proposition. Things are going very well, and we expect things to transition quite well. But just our ability to cause problems for the industry is really one of the things that we're addressing with this system. So, in a nutshell, things are going according to plan, no showstopper problems, and we're continuing to monitor the situation with the industry. Any questions that I can answer for you?

Chair Postman: I've got one while I wait to see if other Board members do as well. Can you give us an example of one of the types of things that testing showed needed to be fixed and that we were able to fix either in that initial one or in the later widespread testing?

Jim Morgan: Yeah, and they were all pretty minor things, and a lot of it was just getting things right in the file format so they would be able to be uploaded into our database. There were a few incidences where when something happened, either it was not the right message that got sent back to them, or no message got sent back. So, pretty minor things really related to just fine-tuning collecting the data and how we communicate back to the licensees.

Chair Postman: Yeah, okay. That's great. Any other questions from Board members for Jim?

Ollie Garrett: I have no questions.

Chair Postman: Okay. There are none. And then this morning at the Board meeting, I did make a pitch for people to engage for the additional testing that's going on, so I guess we should just do it again. But they can find that information on the website and, at this point, it's wide open. Any licensee, lab, or third-party integrator can. Correct?

Jim Morgan: Correct. Correct. And the widespread testing is going a bit slower than I would like. But at the same time, we've had enough testing and, particularly, from integrators. That's where most of our files are going to come from. And by integrators, like third-party inventory or point of sale systems that our licensees used, their software providers are creating the interface into our system on their behalf. And we have had a couple of the major players in the industry already doing testing. So, I think we have exercised the system well enough to fair it out any big problems, and then as new folks come in that may not have done any testing, we'll have lots of support for them to be able to get up and running quickly.

Chair Postman: Yeah. Okay, great. Well, yeah, I appreciate you saying we can't make it completely painless. There are always some bumps, but we all obviously would rather have those bumps now. So, really people should engage in this testing process, and help us figure out where those pinch points might be before it goes live.

Jim Morgan: Yeah, we appreciate the pitch at the Board meeting.

Chair Postman: Okay, great. Okay. Well, thanks. I'm glad to hear it's on time and moving the right way. So, we'll hear from you next time, too.

Jim Morgan: All right. I look forward to it and get it done.

Chair Postman: Okay. Next, we're going to have a Policy and Rules update. This is a little different than our normal agenda, but we've asked Justin Nordhorn, the Policy and External Affairs Director, and Kathy Hoffman, the Policy and Rules Manager to come and give us a broad update on everything that's going on in their [indistinct]. I will turn it over to the two of you.

Justin Nordhorn: All right. Well, thank you, Chair Postman and members of the Board. We're just going to tag-team this at the high level. We're not going to go into all the details like you would hear sometimes in the Board meetings. So, I'm going to let Kathy kick it off, and then I'm going to follow up with some of the other details [indistinct] goals that we're trying to accomplish.

Chair Postman: Great.

Kathy Hoffman: All right. Thanks, Justin. I'm going to go off -and show my screen and give a presentation about our LCB Agency Policy Workgroup, shared this presentation with the Agency Policy Workgroup and [indistinct], and Rick said, "Hey, you should present that at the EMT. So, that's what I'm about to do here. So, I'm going to go off-camera and share my screen. Can everyone see the screen right now?"

Justin Nordhorn: I can. Yep.

Kathy Hoffman: Okay, fantastic. All right. So, let's start with where we have been. So, back in February of 2020, we were beginning to shape our Legal and Policy team, but as we all know, COVID-19 happened the next month. And what did our agency do to respond? Well, we did a lot of things. We leveraged our creativity and agility to support our regulated community and each other. And we met daily to discuss agency response to requests for assistance, and we tracked those requests, decisions, and outcomes, and notes in what we call the COVID-19 spreadsheet. And from that, we issued a variety of allowances to provide reliefs and support to the businesses that we regulate. And what did we do with those allowances?

Well, we analyzed them. That began from May to October of 2020. Enforcement and Licensing came together and began to evaluate the allowances. [indistinct] began statutory and regulatory authority analysis to determine whether we had a statutory or a regulatory authority to move those allowances forward. And then, I took the COVID-19 workbook, distilled it down, and ranked the allowances based on the number of requests we receive for a particular allowance, and then whether or not we put that allowance on our [indistinct] webpage. So, we went forward with the allowance, provided it, so forth. We established a set group to review each allowance that we distilled down from that [indistinct] and COVID-19 spreadsheet. But we needed tools to do that analysis, so we created a number of policy analysis tools.

So, the first was a policy analytical framework. The next was using evaluation to inform our policy process and then the actual policy process itself. When the policy process analysis is really the process, it's based on what the CDC uses for identifying problems: doing policy analysis, thinking about strategy and policy development, executing the policy, and then implementing the policy, and then evaluating the policy as it moved forward. Along with continuous sequels or engagement and education throughout. So, we use these guiding documents to guide both our initial allowance analysis, so that's this particular document that was created to do this analysis and then serve as the foundation for future LCB policy analysis. So, all of these documents were designed to really build the foundation for the Policy Interpretive Statement Program and our Agency Policy Workgroup.

So, all of this informed a lot. It informed our 2021 Request Legislation, and it also informed the creation of our Policy and Interpretive Statement Program that we launched in December of 2020. It informed the creation of the Agency Policy Workgroup itself that was modeled after a think tank approach, and that started in January of 2021. It informed our Policy Agenda that we created in February of 2021, and it informed the creation of our Policy Development Strategic Plan in 2021, as well.

So, that takes us to where we are today. And we just want to share the details of our success so far. So far, we have issued three interpretive statements. The CBD licensing in retail I-502 stores. That was the first one. Allowable practices for holder of a marijuana processor license, and then more recently 401(k)s, IRAs, and trusts for [indistinct] on liquor licenses. And then we have issued five policy statements, and we will go through each of those, but you might be familiar with some of those.

We have also analyzed a number of issues, and this is just a collection of them here: Alcohol service by fast-food chains, [indistinct] limits on marijuana-infused edibles, alcohol service, and in college sports statements, of course, delta-8, delta-9, THC, and beyond, and the multiple policy implications that come up as a result of the many rule petitions that we receive. We also discussed Joints for Jabs, a Shot and a Beer in this Inner Agency Policy Workgroup, and many other things. Currently, we're in the process of preparing policy statements from the Board interim policies that need to stay in place. So, as you are aware, we've been in the process of rescinding a collection of Board interim policies, and now we have got a handful that really do need to move into policy statements. So, for instance, we have a Board interim policy that does not require CBD from outside the system to be reported in traceability because there is no mechanism to report that in traceability. And, currently, we have a rule that says that licensees must do that. So, that would be a good thing to put into a policy statement at this point, and then you can rescind the Board interim policy there.

So, that takes us to all of that work is great. We're coming up on the end of the year. What's next? So, questions that we come up with are how can we grow the capacity of the Agency Policy Workgroup? How can we increase stakeholder participation in the policy review process? That's really important. How can we continue to honor our think tank model in new ways? And how can we continue to ensure that we develop policies, interpretive statements, and rules that lead to socially equitable conditions?

I really didn't touch on when I was displaying some of the policy analysis tools, but we have a series of metrics that we apply when we're considering a new policy or considering a new interpretive statement. And that is we look at [indistinct] diversity, equity, and inclusion. We look through the lens of public health, prevention, of course, through our different divisions, Enforcement, Licensing. In the case of, perhaps, a cannabis policy that we're considering our examiner's unit. We also reach out to local government, if necessary, and there's a variety of different lenses that we consider those policies through.

So, moving into where we're going, what we'd like to think about now, these are kind of big steps beginning to accept external requests. At this point, we've been testing this program internally. I think Justin and I are feeling or sensing that we have developed enough that we can start thinking about accepting external requests. And we also want to continue to expand the scope of our draft policy review. Currently, that review has been, I want to say limited to the agencies that we work with on a frequent basis, like the Department of Health, like WSDA. But we would like to extend that to the extent possible and then perhaps think more about the local government reviewing our policies, as well. So, we're exploring ways that we can build engagement. We also, of course, reach out to the Cannabis Advisory Council members, Industry members, and our Alcohol Advisory Council when we need feedback on that.

So, that's the end of this presentation. I will go ahead and stop sharing my screen and hand it over to Justin to speak of some of the things that we're doing with rules.

Justin Nordhorn: Okay. So, thank you, Kathy. That was really helpful on the presentation. I think that trying to get that out in front of everybody so folks can understand how we're approaching the policy worker, and that think tank type of approach is really critical. We're still trying to develop some of that. But in our internal workgroups, we don't always need to have a decision at the end of every meeting. We really need to explore. What are the

impacts? What are those outreaching areas? These types of things. So, when we're looking at some of the discussions, part of what we're trying to do is explore ideas with the industry as well. So, if they have something that they would like to bring up to us, that we are available for that. And it's not that we're going to agree or disagree. We're going to try to be that neutral party that's going to listen to the ideas, try to assess what impacts would that be and, as Kathy mentioned, we're trying to look at the external reviews for those requests for interpretive policy statements.

We did get one externally recently, and we're working through the first part of it. And I think what's really critical in those areas is, we have to assess whether it's an interpretive statement and how we're going to come out and provide the consistency across the state. Or if it's going to be a policy statement, which is kind of forecasting this is where the Board stands with this, and you can expect some sort of rule development further. Or if it's really a rule change that's needed or, of course, if it's legislative changes. So, we're that resource to be able to explore all those types of ideas and provide that input and guidance on where this could best fit in if we're going down that road.

So, when we're looking at some of the differentiations I wanted to touch on in the interpretive statements. Some folks are like, "Hey, we didn't get any input." The interpretive statement is really the agency's position on how we read and review that law and how we believe that it is applied. And so, that's really the agency's position on that. Whereas a policy statement that may be impacting others, we're going to get me more stakeholder feedback in those particular areas. And so, that's really kind of a critical piece that we're trying to address as we're moving forward. So, as you know, there is a number of rules that are under development right now, and I won't go into all the details that you get in the Board meetings and caucus, but we have some really major projects that are going on, and these aren't small lists right now.

So, of course, the THC evaluation that's going on, which is coupled with all the work around the potential agency request legislation associated with that, there are a number of moving parts in that particular area. We also have the quality control testing rules that we've been working on, and we got those revived this past Spring. Very complicated area, trying to move forward in getting those to the finish line, and we're doing some really good work on that. We have a listen-and-learn coming up in a few weeks. And so, we're really excited that we're going to get that feedback and hopefully be able to present something to you, the Board, in December, and so more to come on that.

On the alcohol side, of course, we've got the 1480 rule set for implementation. And we're looking at how that's being applied also in other areas because we do see some licensees that are trying to adopt some of those provisions that aren't necessarily called out in the legislation. And so, trying to help folks understand and present that continuity and consistency going through the program. We also have a number of issues that are kind of in the background and on our forefront, so what we're projecting, and I'm sure the Board is aware of the adjudications, requests from staff and the Board on how we can handle electronic filings to try to move away from paper issues. That's going to impact multiple divisions, and it's going to also impact licensees. So, that's on the immediate forefront that we're looking at and trying to schedule.

We're also looking at a very large project. And we'll have to break it down into chunks because this is going to take several years, I think, for us to go through the full vetting of 314. But we really want to reorganize and structure that, which is going to include cleaning up some of the rules that say, "What is...?" I'm trying to take them out of the question type of format. Also, group things appropriately together, which is also going to lead into other areas of some modifications, some rule repeals, and those types of things. And so, we're trying to strategize how best to move forward in some of those particular areas.

And then on the cannabis side, we anticipate in the near future -- we're not sure exactly when yet, and we're trying to see where some of the chips fall -- but some packaging and labeling issues continue to arise that need some additional clarification. And in all of this background work -- and folks may not know it as our stakeholders -- but we're bringing on a couple new rules coordinators. And so, we're backfilling Audrey's position because of her leave that's coming up. And so, there's a lot of learning going on within the work unit that's not real sizeable. So, there's some work that's being done, and some of these projects are really large and complicated.

So, as we're getting these types of rule requests, whether it's internally or externally from folks, we're trying to put together a prioritization matrix that can be visible, especially to the divisions -- "Okay, I've got this idea. Where does it sit? Where is it on the priority list?" And then we're going to be creating a kind of a matrix similar to what IT has used in the past that will really score some of these. So, we recognize that there could be a potential rule need for a fairly low impact rule, but it's mandatory. It may come from the legislature saying you have to create rules by a certain date. And so that, obviously, is going to rise to the top. And that may not seem as important to a number of folks, but because of the mandates and statute, we have to comply with that. Or we may have an emergency such as the Governor's proclamation and the like. So, as we're looking at those, of course, those are going to rise to the top.

But the other areas where we're getting the requests and we want to prioritize it -- we're going to be looking at what are risk impacts? How far outreaching is this? Is it impacting multiple divisions from an internal standpoint or one particular area? Does it impact a breadth of licensees, or is this just an isolated area? And just because it might be a small group of licensees that are asking for something, there may not be that many licensees within that group. So, it may actually be a predominant representation in the industry; however, overall, it seems fairly small. So, we're trying to create a matrix that's going to assess all of those things and then also have an underlying theme of how we're tying it into the strategic plan. So, we can make sure that we're keeping on track with the priorities of the Board and prioritizing these rule packages as we move forward.

And with the rule packages, there is certainly a lot of research that's going on in the background from all of the staff members trying to get up to speed, not only from the divisions but from the stakeholders and the science that are out there, particularly in cannabis. And so all that kind of background work comes into play when we're assessing where we're going with some of these rule sets. So, I think it's really important for folks to recognize the complexity of some of these areas. And we're certainly wanting to have that outreach component with the industry, and so if they have ideas -- we've been getting some calls lately from some stakeholders and attorneys saying, "Hey, what do you think about this? Does this fit in there? We're hearing different things. We believe it says this."

And so, we can really have some robust conversations and exploratory conversations without saying your clients have to do x or y. It's just let's learn from one another and where we're going to move this forward. So, that's kind of the dynamics. And so, on the backend of all of this, one of the things that we're still developing on how we want to bring forward, are the metrics of our successes. And you saw a little bit of it from Kathy, but we want to be able to come out and say, "Okay, what are the results that we're looking for? And how do we assess the results?" Whether it's quality, timely cost issues, we're going to be taking a look at the whole package and say, "Okay, how do we want to highlight the results of the work in it?" and the way it can be showcased. We're going to be trying to bring that into the agency annual report this year, and so we're going to try to have a component in that and be able to highlight to a number of folks this is what the rules and policy program is about and trying to create that broader understanding. So, Kathy and her team have done really good in capturing the decisions on what we're doing and where we're going. And it's kind of a change within our organizations because a lot of folks are like, "Oh, my gosh! These documents are really long," and trying to get through them, and they can be very technical. But what we're trying to also do is 10 years down the road when other folks are in these

positions and they look back and say, "How did you come up with this decision?" We have it documented in a very broad and in-depth manner, and they can say, "Okay, that's where this came from."

And for anybody who has even looked through some of the legislative intent notes, you're always, "Well, you're piecing stuff together." So, we're really trying to broaden that scope, as well, and that's kind of where the rules team is. So, I'm happy to answer any questions from the Board on whether the current rules -- I didn't really want to get into all the details of that because you've heard it a number of times before but more around the program that we're developing here.

Chair Postman: Yeah. Okay. Questions from the Board for Justin or Kathy? None from Russ. Okay. I have a couple, of course. Is it correct that the bulk or the majority of the rulemaking that the agency does is legislatively mandated? Or how big of a piece is that versus something that might come up through the agency or by a petition?

Justin Nordhorn: Well, as far as the mandatory rulemaking, that's where it comes from in that particular vein, and year by year it's going to adjust, and sometimes there are going to be smaller rule packages than others. I would actually say there is a number of rules over the years -- not necessarily this past year -- but over the years there are actually a lot of internal requests that say, "Hey, we really need to look at that." And it could be coming from staff, from the division. It could be input from the AGs office. Can we look at this? Can we explore this? Can we clean this up? Those types of things. So, I would say, overall, the bulk is actually from outside of the legislative process. However, we need to be mindful of that legislation.

And one of the things that we always ask when these ideas come up, especially when somebody says, "Hey, I want to run a bill." Whether it's an industry person or internally, we say, "Okay, can this be done by rule?" and we look at that. And so, sometimes that's where those rule generations come from is that assessment. Does it need to go through the legislative process? Or is that something within our scope already that we can address? And so, a lot of it comes from that type of approach.

Chair Postman: Yeah. And then as we know with delta-8 and delta-9, it may likely take both approaches, rulemaking and legislation, which when that legislation comes back, there will be more rulemaking for you. Right?

Justin Nordhorn: Yes. Absolutely.

Chair Postman: It doesn't avoid the rulemaking piece; it just gives us some expansion of our authority and statute to do that.

Kathy Hoffman: Yeah. And I wanted to say, I think when we're trying to strategize when we're opening up a new project, we want to be really careful about doing that right before the legislative session. Because we need to be acute, we need to have rules coordinators ready to go. If a bill passes that we need to act on immediately, we need to have the capacity to be able to do that. So, this is one of the reasons the strategic -- the tool that we're putting together -- that we do have a draft form to make an assessment of where a particular project might fall, and the prioritization of our work is going to be really helpful. And there are times when legislation passes, and we just [indistinct] a rule petition that sort of aligns with what that legislation says, there's a way we can work that rule petition in. That happened right after I came to LCB with Packaging and Labeling. So, that's a scenario where we can really kind of tackle two things at the same time. [indistinct].

Chair Postman: Yeah. Okay. And I think the Agency Policy Workgroup -- that weekly meeting, and I've shared this with the team's help -- but is, I think, really valuable and not usual in a lot of ways. And part of what Justin was

saying, that you don't get there just to make a decision that day but to have the discussion. And that's the place where -- for people who think we all think alike inside the agency. We don't. There are debates and discussions, and I hope it's valuable for the actual rulemaking process. I know it's valuable for, at least me, around the table to understand more about what's at stake and what are the tradeoffs on those things. And the memos can be long. I think Justin was channeling me when he said that. But I think they're written in a way that they are understandable, and it has that valuable information, even in today's world, much less 10 years down the line, about here's where this came from. So, I find that process really helpful.

Kathy Hoffman: And we are trying to memorialize our agency's thinking at that moment in time. So, I think as Justin noticed and said, 10 years from now the agency can look back on those documents and look at the research we were looking at and kind of understand our thinking because we have done a very thorough analysis on it.

Chair Postman: Yeah. And to be just a little parochial, I was glad to hear mention of the adjudication staff's request on electronic communications. So, they will [indistinct] will be very happy to hear that that's on the radar. So, okay.

Kathy Hoffman: Yeah. It's been [indistinct].

Chair Postman: Great. Thank you, both, for the overview. We really appreciate it.

Kathy Hoffman: Thank you for the opportunity.

Chair Postman: All right. Next on our agenda is a legislative update from Legislative Director, Chris Thompson. Chris.

Chris Thompson: Good afternoon, Mr. Chairman, Board members, assembled colleagues. I wanted to touch on three items this afternoon. First of all, the agency requests legislation that we are working on. So, there are two potential agency request bills that we're working on. The first one I'll mention is an effort that would be jointly requested by LCB and the State Department of Agriculture. Those would be the two agencies formally requesting this bill. But the Department of Health and the Department of Ecology are also partners in this larger effort, which is to kind of upgrade the system for testing labs in the state for the cannabis industry. So, we did submit a package on this, including a budget request because the LCB, the Department of Agriculture, and the Department of Health all would need additional staff and, thus, funding to implement the new approach that's envisioned for building out this testing lab system.

To review quickly, the concept is LCB, the Department of Agriculture, and the Department of Health would work together on a cooperative team to develop the substance of the testing lab requirements that we need met in the system. That team would be led by the Department of Agriculture with us included as partners. Formerly, the bill would be requested by the Department of Agriculture and LCB. And Ecology had some concerns about the initial draft that was submitted. So, we got together the four agencies and talked about some revisions. Those that were requested by the Department of Ecology were agreed to by LCB, the Department of Health, and the Department of Agriculture. So, a new draft was assembled, and we have that now, and so that project is sort of on track at that stage.

And with the changes requested by Ecology, their position on the bill would move from concerns to support. So, that's good news with the four agencies marching arm-in-arm together in support of this more robust effort that

would go to the legislature. The Department of Ecology may want some additional statutory changes down the line, but that won't be on the table for discussion in the 2022 session. So that's the first bill.

The second bill has been alluded to already. It's an effort to authorize the state and the LCB to regulate cannabinoids that we believe need to be regulated and to essentially equip and position the agency to be ready with the necessary tools as new trends emerge in the industry, as a very dynamic and creative industry. It comes up with new things that none of us know about right now and might be news to policymakers and to current statutes. So, to position us to be ready to act if necessary in the future beyond our level of knowledge right now, some regulatory changes need to be made. This is very difficult work. It's very technical. It's very complex. There are very strong interests involved, and we've been working with stakeholders. We've connected with more than 250. We've heard directly to some degree from at least 45. The count is going up by the day including today. So, we continue to get more input from stakeholders.

We have met recently with the Cannabis Alliance. We met yesterday with the Hemp Association. We expect to hear more from WACA and the Public Health Association and other stakeholders. And as we hear from stakeholders and analyze those suggestions or concerns, we're having internal discussions trying to figure out where we want the agency to be in putting forward a proposal. So, this is going to take a little bit more time. We just had another meeting this morning on this internally to look at these issues. We'll be getting together again next week. Every day, as I said, we're getting more input and advice from stakeholders. So that's a very much in progress influx effort. And we will have to come back to agency leadership and Board members in the future with a little bit more specific take on what we're thinking and appropriate direction would be for this legislation.

I'm also trying to keep the Governor's staff abreast of generally where things are, and so they're aware of the discussions and the state of how definitively those are progressing. So, that's the other potentially [indistinct] request bill. And I also wanted to mention for your information, we're working together on a presentation to the House Commerce and Gaming Committee. They have asked us for our presentation on the 21st of this month, and several topics they would like us to address. They want to hear about this last topic I have sort of been discussing. What's happening with industry trends with cannabinoids and other compounds that are arising and how that impacts or relates to the regulatory environment. We will not be able to share details of legislation, but we may be able to discuss with the committee the nature of the problem or issue and then some of our thinking about approaches that might be advisable there.

The committee also is interested in hearing an update on implementation of the Enforcement Reform legislation from 2019 that was passed. The Senate Bill 5318 made a number of changes in the enforcement processes and operations. So, they want to hear how that's going. They want to hear what are sort of current trends and data that we have, and what's going on with enforcement. And what do we see in terms of compliance? That sort of thing. They're also interested in hearing about what is going on with lab testing and accreditation. So, as with the cannabinoid regulatory issue, there's a lot we can say there, even if we can't give them -- here's a copy of the bill we want to ask for -- because that's still under review. And then finally, they are also interested, and they're saying they want to hear about the traceability system.

So, we've shared a little bit of that information. We've provided links to webinars on this to legislative staff and to members and so far haven't heard anything back about that. But we'll address this topic with the committee. Brian has been helping us coordinate across agency divisions to assemble all this information. And in the next few days, we'll be seeing where we are on that and pushing toward finalizing that presentation.

Finally, the last thing I was going to mention, the agency request bill last cycle that was passed in the house for alcohol licensees coming out of the pandemic. That bill included a study, and that study was funded at \$150,000

by the state. We just completed a process where a contractor was selected. That contract for the study has been executed. I was really pleased to see we had five submittals. We had at least a few quite strong ones. And the chosen contractor, I think, has got a fantastic reputation and background and will be a really valuable partner in looking at the issues that study is supposed to address. What have been the impacts of these privileges both with regard to within the industry, as well as external or potentially adverse impacts even from a public health prevention perspective or substance treatment and recovery and so forth? So, they have a really strong background.

We had a cross-divisional team involved in the RFP and receiving the bids and evaluating the contractor proposals and making the selection. Justin did a lot of work on this. [indistinct] did a lot of work on this, as well, and we have about a couple of weeks before we think the work will start. It doesn't have to be under the statute until January, but it never hurts to give yourself a little bit of extra time. Right? So, I think, in addition, it will be important to bring into that work our new public health education liaison, as well, so looking forward to that. So, that really important study is almost ready to get launched in the next couple of weeks. That is what I wanted to share. If there are questions, I will see if I can answer them.

Chair Postman: Great. While I wait to see if there are other questions, I would just say I'm glad you mentioned coming back to the leadership of the Board on draft legislation. Let's just make sure we build that into whatever timeline, so the full Board can be briefed before that is public. Otherwise, shared at a caucus probably would be great. And I think that was all I had, and I don't see any other questions for you now. So, thank you, Chris, for that report.

Chris Thompson: All right. Thank you.

Chair Postman: Yeah. And now we'll move to Enforcement and Education from Director Chandra Brady. Took me a second there. Sorry.

Chandra Brady: I was ready to rescue you.

Chair Postman: And your name is right in front of me, but still it took a second. So anyhow, thank you, Director Brady. Go ahead.

Chandra Brady: Dustin, will be sharing his screen to share my slides. Thank you very much. So, we'll be talking about the education we're doing. Licensee support and education, enforcement, AVNs are some alternative dispute resolution that happens within our division, compliance checks and premise checks, how we spend our time, and then some of our overall division accomplishments. Very similar to last month, we completed just over 2,000 educational contacts with over 300 hours, and almost 3,000 people receiving an education are licensees within liquor, cannabis, tobacco, and vapor. Those are our officers and compliance consultants out in the field. The topics of that education are listed, as you can see here, with COVID-19 reemerging as our top topic out there in the field.

And also, I know just from talking to other division directors, that this is a common topic for all of our questions and contacts lately. I don't think that's a surprise to anyone. And when we start looking at complaints and our enforcement role, we've logged 664 complaints in September. You can see that COVID-19 complaints are top there and that 87 of our total complaints were related to COVID and those regulations for licensees. Eighteen of our complaints were in cannabis, 600 in liquor, and 46 in tobacco and vapor. The liquor industry is where those COVID complaints tend to focus. Just between August and September, those complaints went up 300%.

If we look specifically at cannabis, you can see that we had 6 non-COVID complaints in the month of September as compared to 39 in August. In the liquor industry, we had 68 non-COVID complaints. And then when we start looking at tobacco/vapor, we had 22 complaints in September not related to COVID. As we start looking at the percentage of our complaints, as you know, 87 of them were directly related to COVID, which leaves 13% of them not related to COVID -- just another way of looking at the data and then also looking at the trendline of the data. It's always interesting as we watch how COVID has and how our policies statewide related to COVID have progressed. You can see these lines and graphs very typically following the progression of the pandemic and our policies.

AVNs in September, we're at 69, and you can see the breakdown. There are 48 in the liquor industry, 19 in tobacco/vapor, and 2 in cannabis. Thirteen percent of those were repeat violations. We like to keep the repeat violations low, just because that shows that we are through education and enforcement and continued education helping folks get into compliance because that's the overall goal. A lot of times with these COVID violations, folks are sticking to their guns. It's not really an issue of whether they know how to get in compliance. It's that they're intentionally choosing not to at times. So, that's where we see that increase lately in the repeat violations.

Here we are again at Alternative Dispute Resolution. I'll be looking at the next couple of months and presenting these in a comparative fashion, so you'll be able to see how they compare to other months. You can see that in September, we had 28 uncontested violations. We had 32 go to -- be resolved at informed hearings, and then two of those forwarded to formal hearings. As you remember, last month and a half we restarted compliance checks. So, I can get you a breakdown if you're interested in these specific topics. But I know that I'm accurate in saying a large percentage of them, if not most of them, are related to those compliance checks. If we look at cannabis, we had 6 informal hearings where we had alternative dispute resolution. So, we negotiated as agreed outcome to that situation.

And then compliance checks. You can see that those have been restarted and as expected and as is really statistically proven across the nation. As we're reentering doing those compliance checks again in order to prevent youth access, that compliance rate is going up. So, we're up to 81% in September. Of note, we started doing some delivery compliance checks. So, we're just starting to produce some data related to that, but the numbers are still very small. Cannabis compliance checks increased again. Our compliance rate is 96%, and they got out there and did 21 of those checks in September. So, they're exactly where they were pre-COVID. Tobacco and vapor compliance checks are up to 70%, so those are also climbing. And then just a note that we did 2,043 liquor premise checks. We're getting out there and having face time with a lot of licensees, and that we have over 18,000 retail and MIW licensees. Also, in cannabis, they were at 218 locations, and tobacco/vapor 285.

So, we're getting out there and getting some contact with people. And we've talked about how it also follows some trendline with COVID and our policies and how much time we're spending in the field versus how much time we're spending in the office making use of technology and virtual contacts. So, we're starting to come toward the middle again, but we are spending more of our time administratively than in the field in the interest of officer licensee and public safety.

Our accomplishments in the division -- I got to attend a social equity workgroup for introductions and some discussions preliminarily as we start to look at enforcement opportunities for improvement, and it was a great introduction and experience. Some great partnerships over the last month. I got to have virtual coffee with our incoming DEI Manager, Jeff Weatherby. We're having coffee with the directors. Our finance auditors are working with Enforcement and Education to do training, which has been awesome. And then Licensing came and presented an in-service, which was a great training opportunity. So, we're doing a great job in building and just nurturing those partnerships.

We have 21 openings; 19 of those are for law enforcement officers, one [indistinct] 3, and an examiner position that we're working hard to fill. And then we completed our examiner's transition. They are officially moved into Enforcement and Education, so we are happy to call them part of our team. And we have identified our strategic objectives underneath of our mission statement, which I'll share with you in just a few moments. It's just a breakdown of our vacancies and hiring, and that's attached to the meeting. And I love that I just watched Chair Postman tilt his head so he could actually read it. But you can see that I also have just put in a little bit of information about some of the hiring we have identified. Four positions on the LEO side and then three other positions in administrative staff.

Very quickly because I'm watching my timer here, and I have 46 seconds left, Dustin. And so, this is our mission statement, which you already saw. Please advance. So, our goals in areas of focus under that mission statement will be to ensure that Board Directors Office and stakeholders are informed and involved. Be proactive about leadership and management services. Manage our operation services in the field and our administrative support services, so we are providing good service. Ensure that we're maintaining education and industry relationships and be proactive about partner services. Just so you know that this is specifically what one of those goals looks like to ensure the positive mutually beneficial relationships are maintained with the Members of our Board, director's office, and stakeholders to allow for effective response to industry and constituent expectations, laws, directives, and policies.

And then our next steps will be to identify what success looks like for us and how we will measure that success. So, we're still working on it. We're sitting down with our command team over the next couple of weeks to identify what those outcomes and measurables will look like. Really quickly, I also provided you just a summary so you can look at this and see what our division awards were and what the director's awards were for in-service and Enforcement and Education. We have great staff who are out there doing great work on behalf of the agency. So, I just wanted to share with you that we are recognizing that work and continuing to do so. Any questions?

Chair Postman: That is great. Thank you. I always like seeing those stats from meeting to meeting. I don't have any questions, so let's see if anybody else does. I don't see any others. So, we'll let you go at this time. Thanks, Chandra.

Chandra Brady: Thank you.

Chair Postman: And we'll move to general agency update with Toni Hood, our Deputy Director. Toni.

Toni Hood: Good afternoon. I'm going to start today with an update on where we are with the Governor's mandate that employees be vaccinated. So, we currently have 341 employees, and of that number, we have 21 employees that were provided an accommodation. So, that means that they submitted a request for a waiver, and then they received an accommodation. Twenty of those accommodations are telework 100%, and then the other one is an extended leave related to a medical issue. We have six staff members who received accommodation. They were to be reassigned to a different job so that they could also telework 100%. So, let me back up for a moment. The first 20 that were accommodated, they kept the same job. So, they kept the same job but were allowed to telework. The six that I just talked about took a reassignment as their accommodations. So, they continued to be employed but aren't in their same job. Three of those are non-permanent and three are permanent positions.

We have two people who are in the process of completing their vaccination status, and they have an extension under the MOUs that were done with the unions. So, we have six or seven people who will separate because no accommodation was available. And I say six or seven because this is still a fluid number. We still have a few days

before the 18th. We're talking close of business on Monday before the actual cutoff. So, some of these numbers can change depending on what the staff member decides to do because, as we know, many of the unions reached agreements through MOUs to get extensions if the employee starts the vaccination process. Then they are allowed to either take paid leave or leave without pay, depending on who represents them, what organization. We had one employee resign voluntarily in addition to those six or seven. We will keep you updated, and we plan to give Director Garza a final update next Wednesday regarding where we end up. Any questions about that?

Chair Postman: I mean anytime you lose people in an agency, it's hard, but if it is six or seven, that's a lot fewer than we thought it might be. It seems like we're moving in the right direction. And I think you were just saying this when you talked about people being able to use leave, there is, in essence, a grace period there. If we hit that deadline, somebody isn't fully vaccinated, they potentially could use leave until they are vaccinated and come back and go through that process with us. Right?

Toni Hood: Yes. It depends on which union they are in whether they take leave without pay or they actually use their accrued leave. And so, they look at the specific situation and then address it per the MOU.

Chair Postman: Yeah. Good. Just for everyone who might be listening to the LCB, there is the opportunity to think about it again. And we, of course, want to lose as few people as possible around this. So, I appreciate the work you guys have been doing to get those numbers where they are and communicate with employees about what's happening. It's a tough time, but I think it's going well. Thank you for that.

Toni Hood: Thank you. Our HR Department has done a great job trying to explain this situation and trying to give all the information possible to our staff members. And I'm also very proud of the fact that we were able to reassign six people to other vacancies, which took a lot of work. It took a lot of work to find the right skill set to go with the vacant position.

Chair Postman: Right. And a lot of this, as you said, will remain fluid. We have people on a sort of temporary accommodation that we have the chance to review to see how that's going. We don't know what's going to happen. So, this is very much alive and will continue to be, and just hope people continue to pay attention but also communicate with us about what they're seeing and hearing and feeling out there in the agency.

Toni Hood: Yes. That's a very good point, Chair. We do review the accommodations every 60 days.

Chair Postman: Yeah. Yeah. Good. Okay, great. Thank you for that. Anything more?

Toni Hood: Yes. I just wanted to let you know that the statewide [indistinct] conference starts at the end of October. It goes for a week and a half. It's 100% virtual, and we have 65 employees signed up for at least one session now. And so, we will see what that ends up at, but we're happy that it's virtual so people can just partake in it an hour or two if that fits their schedule and their workloads. As you know, I believe, we still have the majority of the staff teleworking. In November, we will get the group back together and the band back together to revisit the reentry plan. Then everyone will be fully vaccinated, and so we'll be able to assess the situation then. We are continuing fundraising with CFD. We have a great basket auction next week for anyone whose listening who might want to bid. It's kind of fun. And our management team continues to work on strategic planning.

And the last thing I was going to mention is kind of tangential to this, but I am currently on the Northwest Justice Board, and we are hiring a racial equity consultant to do some training of our Board. And I just wanted to say I'm really excited about what I'm going to learn there, and I'm hoping I can bring back some nuggets of information that we might be able to apply in our setting. So, that's all I have. Thank you.

Chair Postman: That's good. Good. Yeah. Thank you. I'll be interested to hear how that goes. I've learned a lot through those myself, I've got to say. Always more to learn, but it's good. So, great. Thank you, Toni.

Toni Hood: Thank you.

Chair Postman: Comments from the Director. Rick. Yes, you are with us still. I thought you might have had another meeting you needed to run to, so welcome.

Rick Garza: Good afternoon. It's good to be with you all, Chairman and Board Members and staff. I will try not to be too redundant, David, because there has been a lot of information that has been shared by the directors and staff. And, again, I want to thank Anita in the HR team, that full vaccination mandate. It was several weeks ago we were at 52 and 42 that we weren't sure what was going to happen with respect to those employees, and to get to six or seven, possibly even lower by next week. So, I think part of that is the work that Anita and her team did in HR, the work that our directors did in helping to find positions that we could help some of our -- because that happened mostly on the enforcement side. Though they may have been given an exemption from full vaccination, we could not accommodate because of the work they do with the public. And so, every effort was made.

And I want to thank the other directors and staff for looking for positions to move our folks into who could not be accommodated. But, again, just the attitude and the way that HR and our division directors and supervisors and managers worked with our employees, we're having a very difficult time deciding what to do with respect to the mandate. So, I want to thank the staff for that. Also, there was an update from Jim on CCRS. I want to also thank George Williams, our IT Director, for working with Jim and other staff in trying to figure out how we transition to another new system and appreciate the discussions that I heard earlier today. Thirdly, it was a great opportunity for Justin and Kathy to share the work of the Agency Policy Workgroup and really appreciate their presentation.

It takes us back to late February, early March of 2020 when the pandemic hit, and it really was where the first policy workgroup was formed when all of us that were impacted as far as divisions, not only with our employees but, obviously, with our licensees, had to figure out how to accommodate the many, many requests that came. And it really was at that point that the Agency Policy Workgroup was formed. Remember, that was one of the initial recommendations from Hillard Heintze, from our licensees, and even our own employees, Enforcement and Licensing throughout saying, you have to have a central place where you make decisions with respect to policy and rules. And frankly, all of that work comes ultimately to the Board for approval.

But oftentimes what we heard from our licensees and our own employees was the Board office is doing this over here, the Director's office is doing this over here. Enforcement and Licensing may not be talking to one another, and so decisions were not centralized with respect to policy, rules. And so, this was the opportunity with a group that we've had, and our Board Chair has always been part of those meetings as kind of the conduit and the liaison with our other Board members. But I think it's just gone so well. And you see how comprehensive the program is that Kathy and Justin have created. It wasn't that many years ago that people attacked our rules as arbitrary and capricious because in some instances we didn't have the kind of detailed comprehensive dialog not only within the agency with our licensees. That's something that we've heard in the last few years.

It's a real credit to the work of the staff and the listen-and-learns that Kathy has, and just the direct communication that occurs. You heard Chandra talk about the numbers with respect to Enforcement. Again, back to the Hillard Heintze report and what we heard from our own licensees and our own staff about how we needed to communicate more and educate more before AVNs were written. I don't have to go back to the past to the work that the Board did in reducing the penalties in half and also moving some of those out unless they were public

health violations. And so, Chandra reminds us each month in the work that she provides to us how that whole effort has changed the ways I always thought it should have been and it has been for years, which is kind of a carrot and stick approach. We need to educate; we need to help in the cannabis base.

As you said, it's much more complicated and difficult, but I think I see the transition there with our Enforcement Division working closely with our licensees. All the work that Kathy did changing our rules and reduced back to that, all the work the Board did, and then the work that our enforcement officers are doing every day to work directly and educate our licensees. The only thing I'd say is, Chandra, thank you for putting that timer on. We're going to give that to Chris so that the next time we try to stay within our timeframes -- I'm not good at it either, so I better get one, too. But anyway, I just wanted to commend the staff and then, obviously, make myself available for any questions you might have. Thank you, David.

Chair Postman: Great. Thanks. Ollie, any questions?

Ollie Garrett: No. I was just getting ready to throw it back at Rick on the timer thing.

Rick Garza: We could all use it.

Ollie Garrett: But he owned it, so I'll leave it alone.

Chair Postman: He did. Okay. Yep. We'll all police ourselves. I think that's a good idea. The only other thing -- Rick, you know, Chris mentioned some of those questions we're getting from the legislature and that they want to be briefed on a lot of things. Let's just make sure we have a conversation with the Board about whatever we are presenting. I'd like us to have a chance to be part of the conversation before anybody goes to brief the legislature. I'd just like to see what those presentations might look like if that's okay.

Rick Garza: Yeah, I just asked Chris for it a few days ago, David, for my own, just for myself.

Chair Postman: Oh, okay. Yeah.

Rick Garza: And so, I know -- Chris, if you would -- I think Chris is here.

Chair Postman: Yeah.

Rick Garza: Let's make sure that information is shared with the Board.

Chris Thompson: Yeah.

Chris Thompson: You bet.

Chair Postman: Because you know I am able to attend some of these meetings, but you can only have one Board member in a meeting at a time unless it's a public meeting, so we just always have to work that into our processes. So, appreciate that. Other than that, I didn't have any other questions. I don't see any others out there. I always just give a chance for any other team updates from anybody on staff that we skipped over. Or does anybody have anything to add? Hearing none.

Okay. Thanks to Rick, Toni, and their staff for all the presentations today. Thanks to my fellow Board members for being here, as well. We will have another one of these in two weeks, I believe. So, we will adjourn the executive management team meeting for Wednesday, October 13, 2021. Thank you, everybody.