

I am John Sajo, Director of the Umpqua Cannabis Association. I offer the following comments on SB 1511, HB 4014, and OHA and OLCC rulemaking.

Thank you again for all your work on this issue. In some ways I believe Oregon has the best marijuana law that exists but I have serious concerns about some issues I discuss below.

I believe that establishing quality control for marijuana products is the most important aspect of regulation. Oregon's approach of regulating testing labs, listing approved pesticides and generally moving in the direction of providing a scientific foundation for marijuana policy is setting an example for other states and is clearly and directly protecting public health. Some straightforward regulations such as forbidding sales to minors are already working effectively.

There are other areas of implementing Measure 91 where I have deep concerns. There has been much discussion about shrinking the unregulated market, honoring the Cole memo and at the same time creating an industry of small businesses and family farms. The language of M91 called repeatedly for protecting the OMMP but the Administrative Rules proposed by OHA are a direct attack on the core of the OMMP and threaten thousands of patients with losing their access to medical marijuana. These issues are interconnected.

It is important to note that the OMMP evolved over 17 years, mostly without dispensaries. A system of growers assisting patients, often for free, developed. A large percentage of patients in the program qualify for low income fees. Most of these patients can't afford to shop at dispensaries and certainly can't afford to buy as much medicine as they need. They depend on their OMMP designated grower who is usually a relatively poor farmer with a small garden.

#### OHA Proposed Rules

The proposed OHA rules set requirements that thousands of growers will not be able to meet by March 1, if ever. Requiring water rights will instantly disqualify a huge number of growers. Many of the current OMMP growers are using tiny household water sources such as wells and springs that may not qualify for water rights. If they will qualify it may be an expensive and very slow process, particularly if hundreds of growers apply for rights at the same time. This is a solution in search of a problem and the unintended consequences will be devastating. The amount of water used by all the marijuana gardens in the state is a tiny fraction of Oregon's water use. This could cause thousands of patients to lose their grower and their supply of medicine. Again, many of these patients can't afford to shop at dispensaries. Because of all the new rules it will be harder for patients to find a new grower. Additionally, lots of those cancelled growers are currently transferring their excess into the dispensary system. As this part of the supply diminishes because many growers are excluded, there will be upward pressure on dispensary prices, adversely affecting all patients.

The proposed rules also contain numerous rules that will be challenging for growers to comply with. For example growers will now have to track every transaction to a patient or dispensary, every application of pesticides, have an operating manual, security systems etc. There is no way people can do this by March 1. My reading of these is that these requirements are considerably more complicated than OHA representatives indicated in their January 13 testimony. Taking

away a patient's supply of medicine because their grower can't handle a flood of new red tape in a short amount of time seems to be too much focus on Authority and not enough focus on Health.

I would note that these rules are full of new obstacles for growers and patients and I am struggling to find much that benefits patients. For example there is nothing about helping patients whose grower is cancelled to find a new grower. Why couldn't OHA provide some assistance here? Isn't this within the mission of the OHA?

The broader issue here is that if marijuana is medicine, and that is well established, then qualified patients that can't afford it should have it provided by insurance or the OHP. That is clearly a complex issue that will take time and political will to develop. In the meantime, excessive rules, with impossible timelines attack the core of a program that is working for patients.

I urge the OHA to revisit, roll back and simplify these rules. I urge the Legalize Marijuana Committee to clarify in statute that OHA do so.

#### OLCC rules and Local Control

I appreciate the openness of the public process the OLCC followed and there is much good in the OLCC rules but I write here to comment on some fundamental issues regarding whether the promulgated rules serve the goals articulated in Measure 91 and by this committee. One of the goals of legalization is to work towards the elimination of the unregulated market, which will benefit public safety, improve quality control, and generate more tax revenue. I believe the cumulative effect of over-regulation by the OLCC and local governments will increase the scale of Oregon's unregulated market. Regulation designed to honor the Cole memo is actually going to have the opposite effect.

During the 2015 session this committee heard testimony that Oregon producers already produce significantly more marijuana than the state consumes. The successful roll out of "early sales" indicates that current OMMP growers can completely supply the adult use market. There was much discussion of moving this supply into the OLCC regulatory framework. The preliminary SMS for SB 1531 includes the following language, "Preliminary data shows a significant number of OMMP growers, caregivers, and dispensaries are moving over to the OLCC-run adult use system, potentially leaving many of the over 77,000 OMMP patients without a grower, caregiver, or dispensary." I believe this statement is not accurate with respect to growers. My experience is that a huge percentage of current OMMP growers will never be able to "move" to the OLCC system for the following reasons:

- 1) Local government opt outs. This affects me personally and probably thousands of other growers.
- 2) Local zoning. Thousands more growers are affected by this.
- 3) Water rights. As discussed regarding OHA rules, this eliminates thousands more OMMP growers
- 4) Cumulative expense of complying with regulations.

I also want to point out that most of the over-regulation hurts outdoor growers more than indoor growers. Indoor growers are almost entirely on city water where water rights won't be an obstacle even if the farms are putting more pressure on water resources. Outdoor OMMP growers are mostly growing where they live. If they are in a location not zoned for OLCC production it is harder for them to find a new place to grow because it is a completely new significant expense. Favoring indoor growing as an unintended consequence of regulation is bad policy and will put pressure on Oregon's grid and electricity prices.

From my perspective, the vast majority of OMMP growers will not be able to move to OLCC because basically they can't afford the cost of compliance. The OLCC is building a system of the biggest, richest OMMP farmers and possible well capitalized businesses that do not have roots in the OMMP at all. I hope you will get a statistical breakdown of OLCC producer applicants showing how many are OMMP growers, how many are the same entity applying for multiple licenses and other useful information. This new universe of OLCC farms may be tightly regulated but it looks like it is going to add an undetermined amount of marijuana to a state that already overproduces. Won't this increase unregulated sales? A much better strategy is to absorb as much of the OMMP excess as possible.

I strongly urge the committee to adopt language that directs the OLCC to create a new system that incorporates as many of the OMMP growers who want to "move" as possible. The language from HB 4014, "(d) Assist the viability of marijuana producers that are independently owned and operated and that are limited in size and revenue with respect to other marijuana producers;" is a good start but seems vague if not backed with specific changes that address the specific obstacles I outline above.

Comments on SB 1531

I strongly support the language that exempts patients from paying taxes.

The language in the -1 amendments creating medical marijuana producers seems to solve the problem of forcing growers who obtain OLCC licenses to abandon their patients and is a good idea but it doesn't address the bigger issue of smaller farmers being regulated out of the system.

I hope that Oregon creates a system based on small business and family farms. Every rule benefits larger entities and threatens that goal. I urge the committee to consider a progressive tax that would be levied on any OLCC licensee. This tax could start after a business' gross receipts exceed \$1 million dollars. This would level the playing field and result in a marijuana economy that benefits more people. Proceeds directed to the local jurisdiction would assist local governments and incentivize participation and more consistent regulation.

Thank you for your consideration of these comments and your continued work on this challenging issue.

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