



TO: The Joint Committee on Marijuana

FR: Amy Margolis, Executive Director of the Oregon Cannabis Association and The OCA
Legislative Committee

RE: Concerns regarding HB 2198 -1 amendments

The Oregon Cannabis Association is comprised of over 125 cultivators, processors, edible makers, dispensaries, and allied businesses including laboratories, security and transportation companies, and providers of legal and financial services to cannabis related businesses throughout Oregon. As Oregon and other states move beyond prohibition, we seek clear and sensible regulation that promotes health and safety in our communities, excellence in our products and services, and compliance at every level.

The OCA is extremely concerned about the proposed merger of the Oregon Health Authority and Oregon Liquor Control Commission commercial cannabis programs. While we have submitted a letter highlighting our initial concerns to the Joint Committee already we have the following additional concerns:

1. The Joint Committee should allow this market to stabilize and make evidence based decisions after seeing how the already thoughtfully created programs function for a full year. This Committee and the agencies were extremely purposeful in the creation of these programs and this legislation is being drafted before we even know how the OLCC program functions. We have not seen OLCC enforcement, we do not know what the natural attrition from OHA will be, we don't know what tax revenue will actually look like. A re-creation of the commercial cannabis program should be based on real data for at least one fiscal year of OLCC operations.
2. Additionally, the -1s allow a number of loopholes for medical program participants to join the program that were not available for the first generation of medical growers, processors and retailers. Many of those businesses have invested hundreds of thousands of dollars in the transition, some millions, and allowing the next generation an immediate provisional license and a run around of land use regulations is patently unfair. The -1s appear to reward those who are now entering into the market and punish those who complied with the rules from day one.
3. This legislation is moving the goal post for licensed business once again. We keep hearing from our member businesses that they cannot survive another regulatory overhaul. Businesses require stability and certainty to function, take on investment money, engage in strategic planning and grow. Knowing that there is a drastic market change coming in early 2019 makes

all of those typical business activities challenging and makes Oregon much less attractive for investment. We have also heard that many of our member business will curtail hiring or expansion plans until there is more certainty.

4. HB 2198 will likely have the unintended consequence of incentivizing the illegal market and compromising small farms. By compelling medical growers to join the recreational market this Committee will be effectively crashing the Oregon flower market. There are already almost 500 growers licensed by the OLCC with another 500 plus applications pending. There is no doubt that there will be an oversupply of flower with just these growers. If medical growers are forced into the OLCC market, and we add even 1000 more of the medical registered grow sites to the recreational program, flower prices will plummet and the small business, family run farms who are the most vulnerable will see their investments become valueless.

As submitted earlier, until we understand what the Federal government is going to do in regard to cannabis the Joint Committee should take no action on merger medical into recreational. We anticipate having clear direction by then end of the year and if the direction is conducive to merger this can be accomplished during supplemental session.

That being said, we as an organization appreciate that there are some necessary changes that could make the programs run much smoother and address concerns around the illegal market.

1. Allow OLCC licensed processors and OLCC wholesalers to serve the medical and adult use markets with their OLCC license. The OLCC licensing for processors is much less strenuous and has actual enforcement to make sure communities are safe from hazards. By shifting the processors licensing to OLCC this will significantly reduce the regulatory burden for OHA concerning one of the more challenging pieces. This also makes common sense.

2. Shift testing out of OHA. It should never have lived there in the first place. Cannabis should be treated like any other agricultural product and testing should be managed by the ODA who can move finished product testing elsewhere if there is a more appropriate landing place.

3. Create more significant tracking for medical growers or direct OHA to engage in actual enforcement of the reporting requirements. If the concern is that medical product is leaving the state, the answer is not eradicating the medical program but engaging in meaningful tracking and enforcement of the existing medical program- particularly of larger gardens. This is how Colorado does it and there is no reason to not follow suit.

4. Instead of merging the systems right now, with no real market, enforcement or attrition data, the Joint Committee should put together a task force to assess the success and challenges of the two programs after the first fiscal year. This task force can be a jumping off point for developing a merged program after we know what the new administration is going to do and what the more mature Oregon landscape looks like.

The OCA has long supported a streamlined regulatory system. However, we believe that the decisions should be nuanced and take into consideration market factors, the position of the federal government and should not result in the almost wholesale shut down of the medical program which injures patients. We have tried to offer solutions to ease some of the regulatory burden on OHA making them more effective in their remaining role. The OCA is not saying that there will never come a time when a merged system would be beneficial. Instead we are suggesting that the Joint Committee let the system they built, which was intentionally not merged due to very specific Committee concerns, run its course to provide real and necessary information. Thank you for your consideration.