

# OREGON LIQUOR CONTROL COMMISSION

PRESENTATION TO WAYS AND MEANS SUBCOMMITTEE ON  
TRANSPORTATION AND ECONOMIC DEVELOPMENT

MARIJUANA PROGRAM

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APRIL 18, 2017

# SELF-FUNDED PROGRAM

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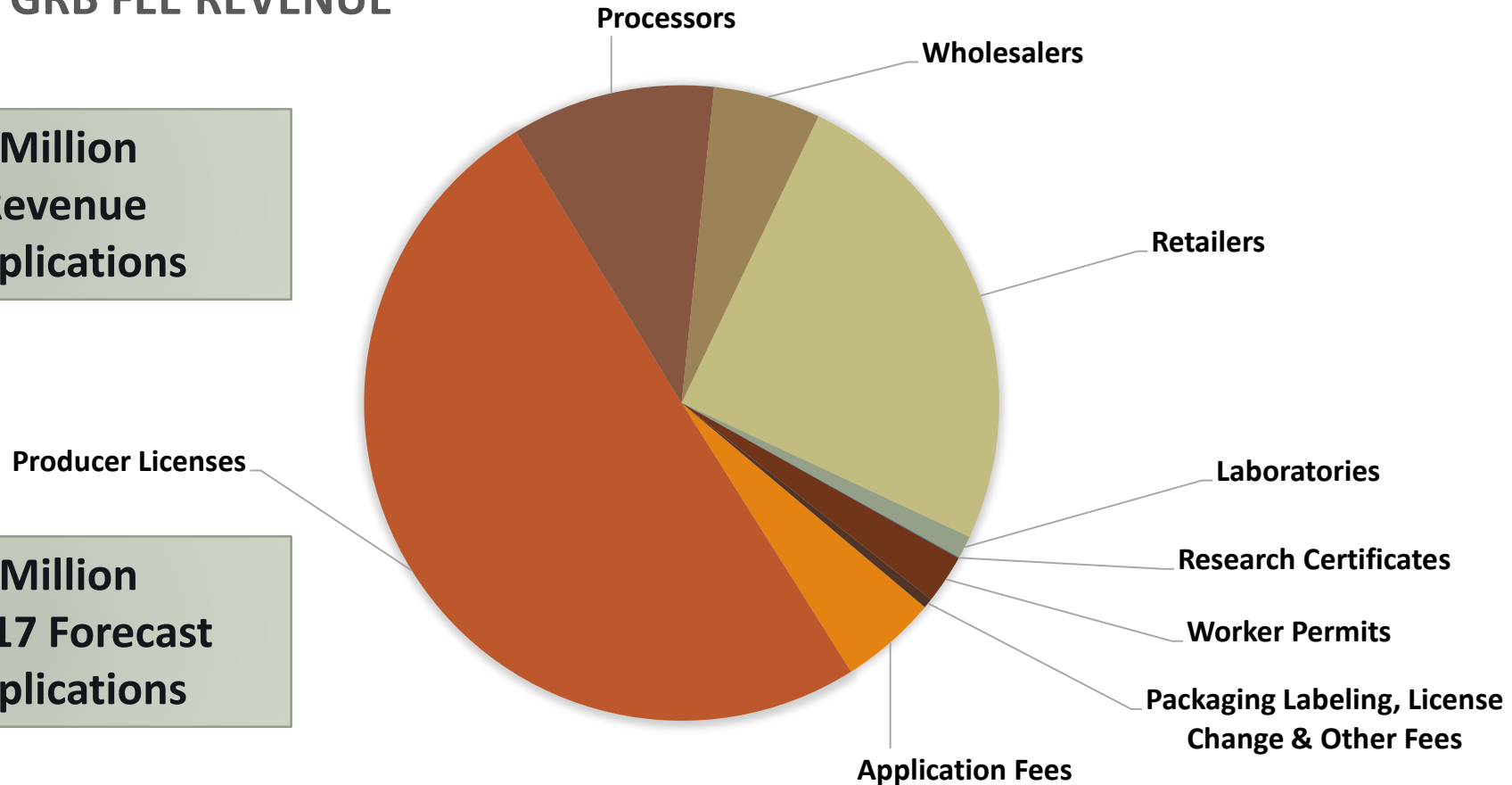
- **License processing drives license and tax revenues**
- **Licensing revenue drives enforcement**
- **Enforcement drives compliance with state law and federal DOJ Cole Memorandum**
  - Security plans, Cannabis Tracking System, Site Visits, Investigations, Sanctions
- **Workload challenges**
  - License applications have doubled over estimates
  - First of 1,100 existing licenses annual renewals began in April
  - Investigations of potential violations require field enforcement
  - Alcohol program has subsidized processing of marijuana licenses; impact on KPMs
  - License forecast of 2,000 is conservative - increasing shift of medical registrants to OLCC
- **Request**
  - 37 positions, \$7.3 million over governor's budget; contributing to \$115 million in distributable tax revenue

# MARIJUANA LICENSE FEE REVENUE

## 2017-19 GRB FEE REVENUE

**\$10.7 Million**  
**Total Revenue**  
**1,400 applications**

**\$19.3 Million**  
**March 2017 Forecast**  
**3,300 applications**



# CASH FLOW

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## Challenge

### **Expenditures are expected to exceed revenues for the first six months of the biennium**

- The timing of revenues will not cover hiring staff at the beginning of the biennium
- Most of the license renewals are in December
- Revenues toward the second year of the biennium are forecasted to exceed expenditures

## Request

- Enable legislation that will allow short term borrowing from the liquor fund during the biennium similar to the current biennium
- Borrowed monies will be repaid at 2% simple interest
- Short term borrowing will allow OLCC to meet rulemaking timelines for fee increases if needed
- Borrowing allows hiring of staff at beginning of biennium

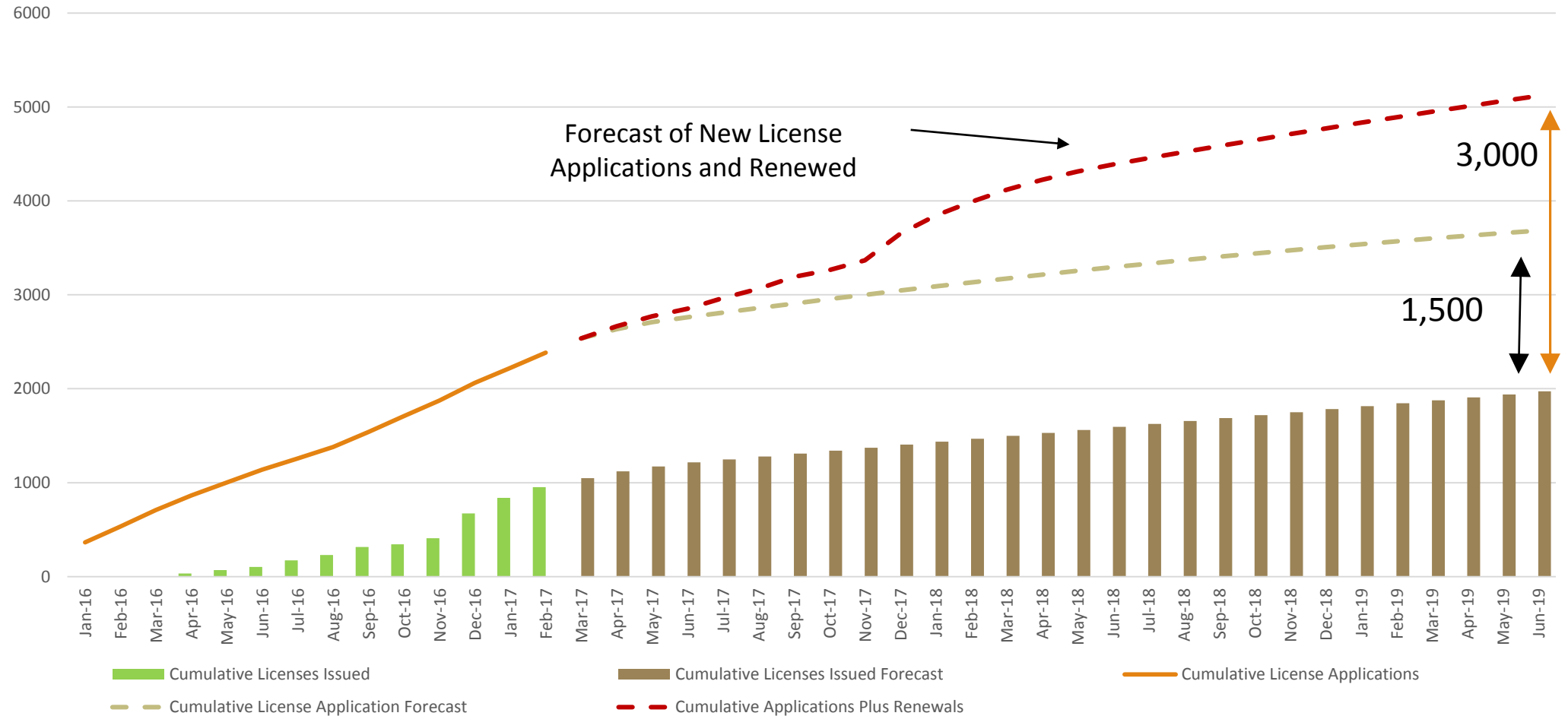
# MARIJUANA LICENSES & PERMITS

	Active and Approved Licenses	Applications For Licenses Yet to Be Processed	2015-17 Forecast of Active Licenses	Updated Forecast of Active Licenses for 2017-19
Laboratory	19	5	5	24
Processor	86	190	120	220
Producer	481	756	330	1,084
Retailer	398	200	310	528
Wholesaler	68	82	65	116
Research	0	2	0	1
<b>License Total</b>	<b>1,052</b>	<b>1,235</b>	<b>830</b>	<b>1,974</b>

	Active and Approved Permits	Application for Permits Yet to Be Processed	2015-17 Forecast of Active Permits	Forecast of Approved Permits in 2017-19
Worker Permits	12,439	1,542	6,200	29,000

Totals as of March 23, 2017

# 2017-19 APPLICATIONS, RENEWALS, AND ISSUED LICENSES FOR RECREATIONAL MARIJUANA



# PROCESSING OF NEW LICENSES

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- **Assumptions**
  - 85 average days to process new license
  - 30 caseload licenses per investigator work load
  - 10.5 licenses issued per investigator per month
  - Process 1,500 new applications during biennium (\$9 million fee revenue)
- **Tasks – Centralized license processors – Administrative Specialists 1s**
  - Screens applications, tracks down missing information, answers questions, and ensures that the application is ready for investigator review
  - Coordinates medical inventory transfers from OHA, local government on land use compatibility statements, approved and/or denied applications and on licensee local jurisdiction code violations
  - Processes worker permits
- **Tasks – Marijuana License Investigators**
  - Background checks, reviews security plans, operational plans, ownership structures, finances of individual contributors over 10%, source of funds, premises layout, boundary, site inspections, lease or deeds, marijuana canopy designation, cultivation plan, electricity and water use estimate, local fire code approval, ODA food establishment license, ORELAP certification verification

# PROCESSING OF RENEWALS AND BUSINESS REORGANIZATIONS/OPERATIONAL CHANGES

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- **Assumptions**
  - 90% renewal rate
  - 50% will require additional investigator and compliance work due to changes in licensee operations requiring additional analysis and site visits
- **Tasks –Administrative Specialist 1s**
  - Receives renewal applications, puts in right order, and ensures that the application is ready for investigator review
  - Direct contact with licensees (correspondence, answers questions), local governments (LUCs), daily statistic reporting, issue license certificates, coordinate medical inventory transfer, ODA notifications
  - Process marijuana worker permits
- **Tasks – Marijuana License Investigators**
  - Site visits required for changes in operational plans, security plans, boundaries, location of premises or canopy size
  - Background checks and financial review for changes in ownership, record of compliance review
- **Revenue and compliance are significantly impacted if renewals aren't processed timely**



# COMPLIANCE

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- **Assumptions**
  - 100 licensees per marijuana compliance inspector
  - 80% of time in the field
  - Compliance inspectors are assigned to regional offices, travel time can be significant in rural and urban areas
  - Expected need for multiple staff to address serious compliance issues
- **Tasks – Marijuana Compliance Inspector**
  - Premises visits for new licensees, renewals with changes in site plans, canopy size, and compliance
  - Minor decoy operations
  - Law enforcement coordination
  - Investigates citizen and local government complaints/concerns
  - Works with licensee to achieve compliance through education
  - Writes violations and assists in preparing and representing cases at administrative hearings for licensee and worker permit violations

# MARIJUANA ADMINISTRATION

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- **Administration Assumptions**
  - 10 new marijuana license investigators
  - 16 new marijuana compliance inspectors
  - 1,500 applications, 2,600 renewals
  - Additional staff and licensees requires additional management
- **Tasks –Principal Executive Manager Ds**
  - Manage marijuana licensing investigators and investigations
  - Manage marijuana enforcement activities and marijuana compliance inspectors
- **Tasks – Compliance Specialists 1s**
  - Analyzes Cannabis Tracking System (CTS) data
  - Proactive education – CTS bulletins and training
  - Referral of violations to regulatory specialists
  - Statewide data compilation and reports

# VIOLATIONS, COMPLIANCE AND SUPPORT SERVICES

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- **Tasks – Administrative Policy and Process (hearings)**
  - Evaluate reports from regulatory specialists and license investigators
  - Draft violation and denial notices for licenses and permittees
  - Interview witnesses, prepare cases
  - Present cases before Office of Administrative Hearings
  - Present cases to commission for adoption of final order
  - Work with marijuana compliance investigators to enforce sanctions
- **Tasks – Financial Services**
  - Audit preparation related to tax collection
  - Compile Cannabis Tracking System data for sales compliance review
  - Preparation of compliance letters
  - Scheduling and tracking of cash payments
  - Financial coordination with public safety, Department of Revenue, and financial institutions

# VIOLATIONS, COMPLIANCE AND SUPPORT SERVICES

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- **Tasks – Human Resources**
  - Hiring of new employees
  - Filling vacancies as they occur
  - Employee orientation and training
  - Ongoing employee relations
- **Tasks - General Services**
  - Procurement and oversight of vehicle maintenance for new employees
  - Lease and manage additional office space, purchase equipment, office set up
  - New contracts and renewals of contracts (CTS, online licensing, online worker permits)

# MARIJUANA EXPANSION REQUEST

	Current Positions in 2015-17	Governor's Recommended Budget – Addl.	Positions Requested over GRB	Total Marijuana Program Positions	Rationale for Request
Marijuana Direct Positions:					
License Investigators	3	0	10	13	Investigate 1,500 existing applications, 2,600 renewals
Compliance Inspectors	11	1	16	28	Increased workload of compliance issue due 2,000+ marijuana licenses; complex compliance issues
Management	1	0	2	3	Manage license investigation and enforcement for marijuana
License Processing	6	0	3	9	Process 1,500 existing applications, 2,600 renewals , worker permits
Policy and Analysis	7	0	2	9	Cannabis tracking system analysis to direct enforcement actions; internal and external stakeholders, licensee assistance
Support Positions:					
Support Services	1	0	1	2	Vehicle purchase, office leasing, and procurement
Financial Services	4	0	1	5	Financial coordination with public safety, Department of Revenue, and financial institutions
Human Resources	1 (LD)	0	1 (permanent)	1	Recruitment and hiring of new positions, filling vacant positions from internal hiring and vacancies as they occur
Hearings	1 (LD)	1 (LD)	2 (permanent)	2	Prosecution for increased violations and license and permittee denials
Information Technology	1	0	0	1	
Government Affairs	1	0	0	1	
<b>Total</b>	<b>37</b>	<b>2</b>	<b>37</b>	<b>74</b>	

# ADDITIONAL REQUEST \$7.3 MILLION

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**\$5.2 million in Personal Services**

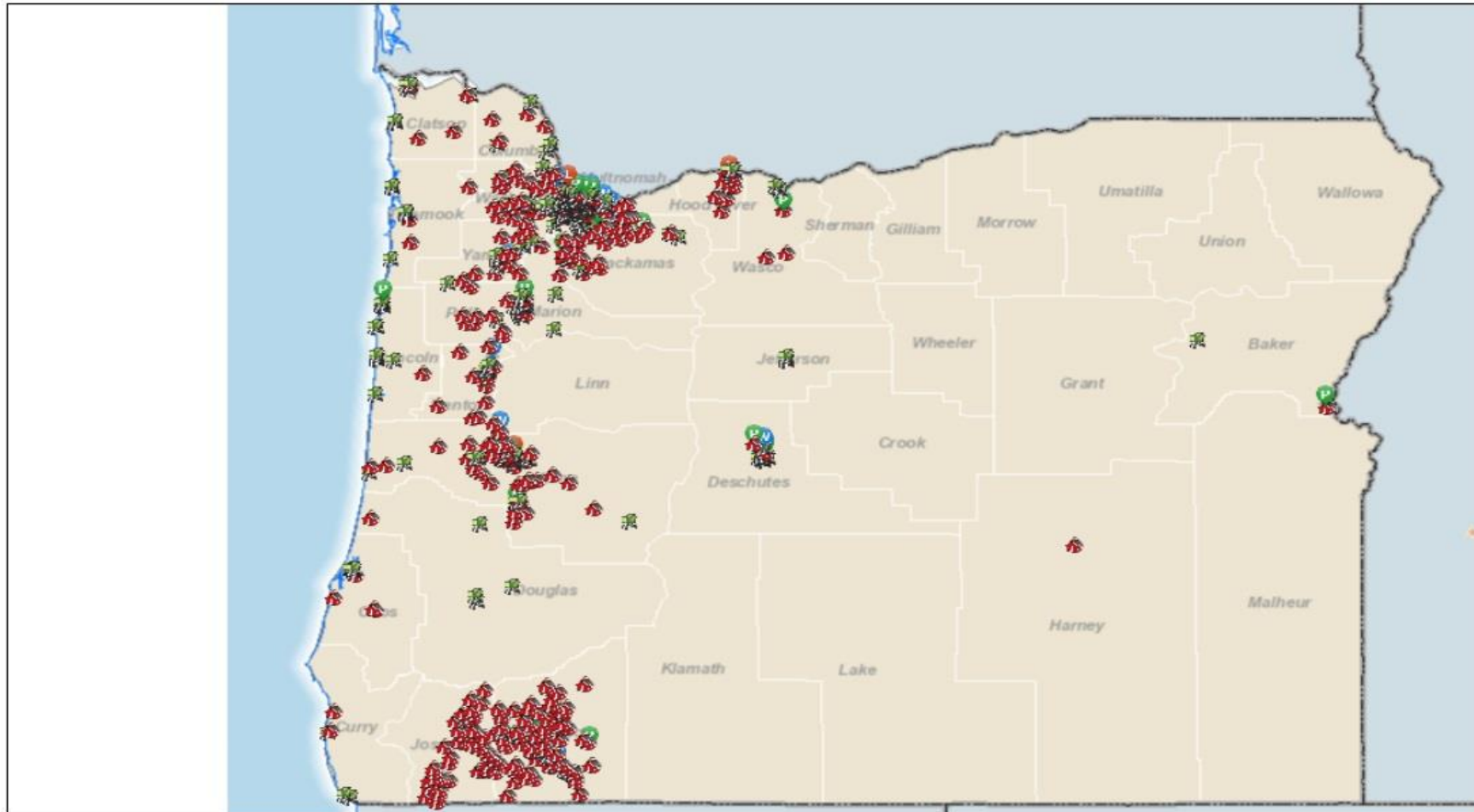
**\$2.1 million in Supplies and Services**

- Equipment and supplies
- Vehicles
- Lease additional office space

**Total Budget Request with GRB    \$17.5 million**


**Revenue Forecast for 2017-19    \$19.3 million**


# Recreational Marijuana Locations Map




February 17, 2017


OLCC\_APPLICATIONS\_WEB\_MERCATOR

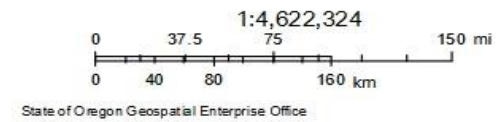
 Recreational Producer

 Recreational Retailer

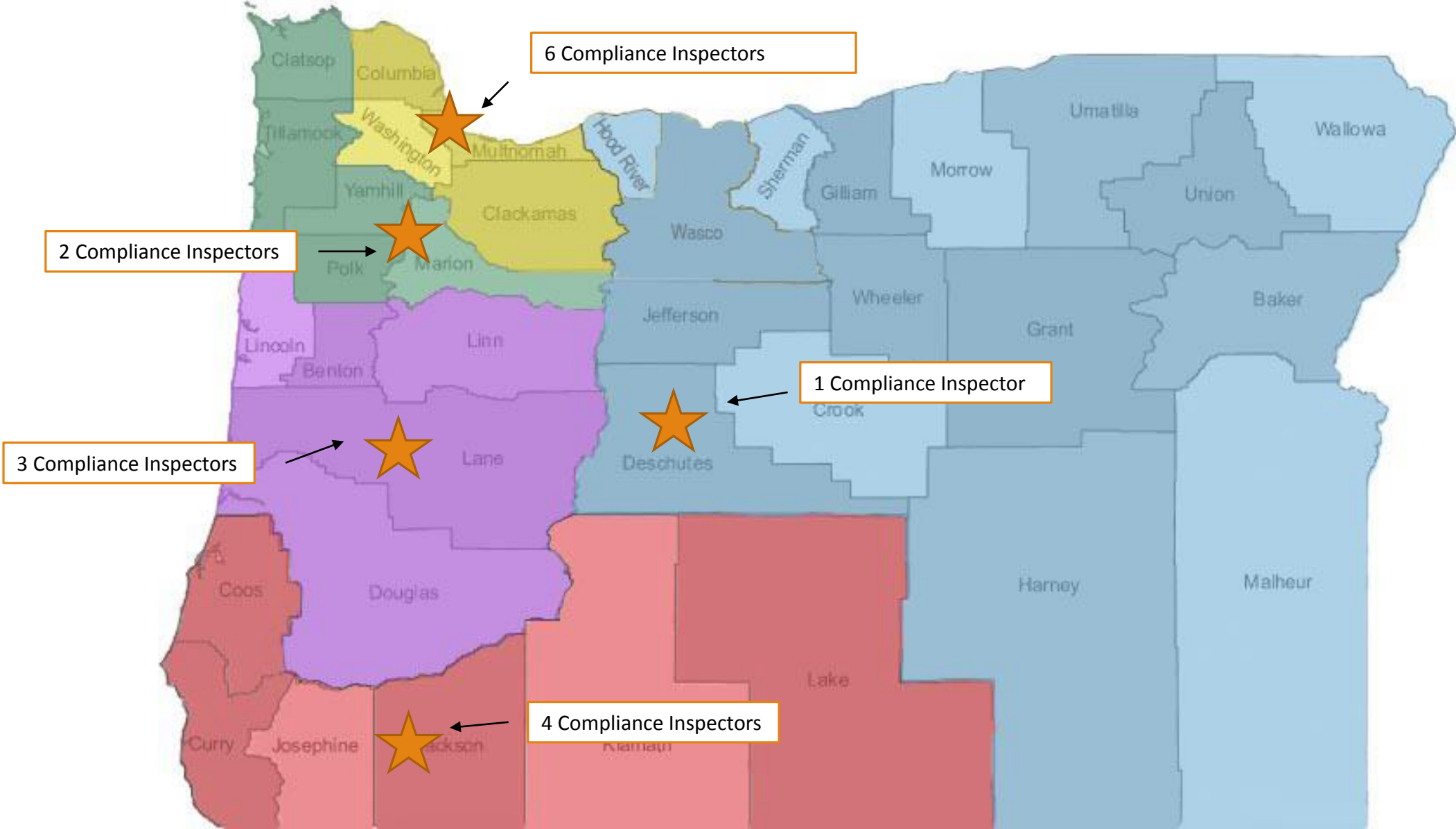
 Recreational Processor

 Recreational Wholesaler

 Laboratory



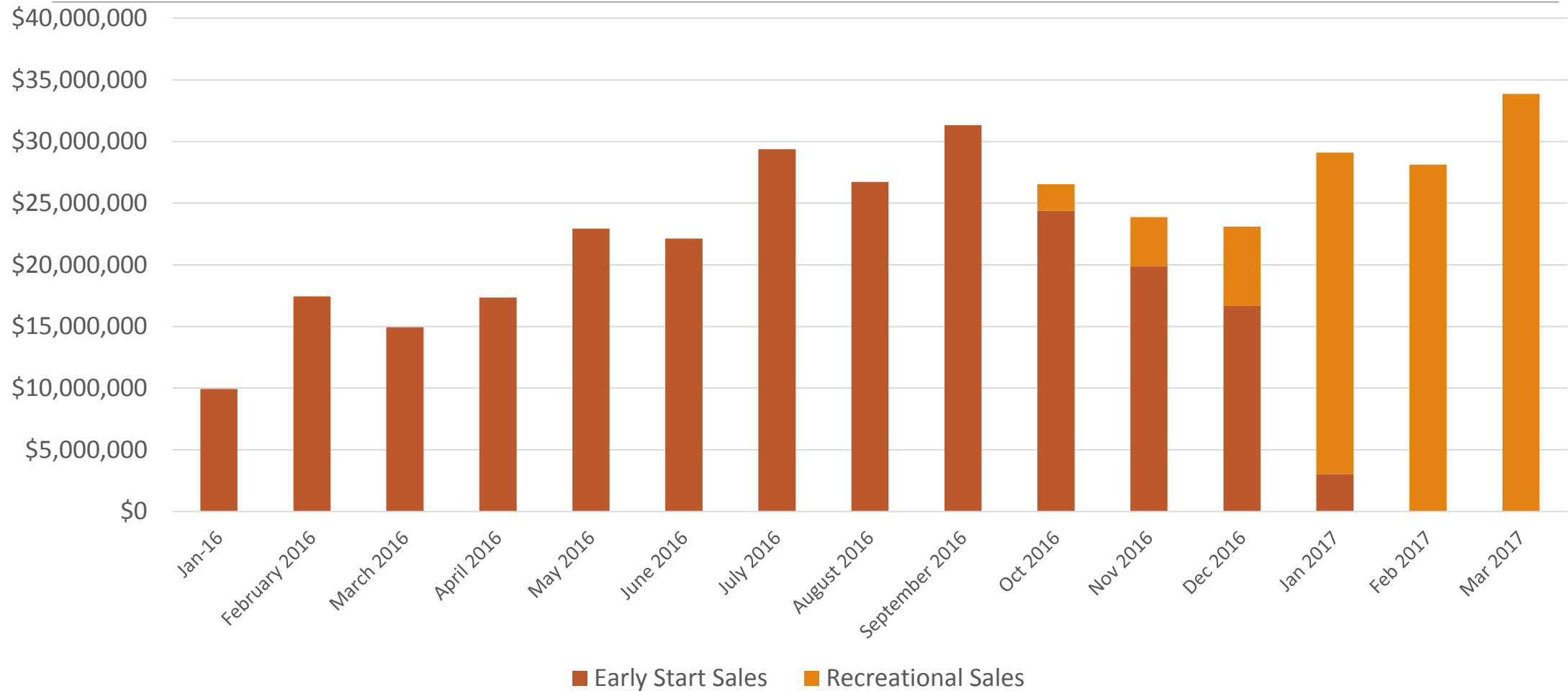
Bend Region ■ Eugene Region ■ Medford Region ■ Metro Region ■ Salem Region ■





# SALES IMPACTED BY LICENSING AND RENEWALS

Estimated Monthly Sales



# 2017-19 MARIJUANA ESTIMATED TAX REVENUE DISTRIBUTION (\$114.9 MILLION)

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<b>Common School Fund</b>	<b>\$46.0 million</b>
<b>Mental Health</b>	<b>\$23.0 million</b>
<b>State Police</b>	<b>\$17.2 million</b>
<b>Counties</b>	<b>\$11.5 million</b>
<b>Cities</b>	<b>\$11.5 million</b>
<b>Oregon Health Authority</b>	<b>\$5.7 million</b>

DAS GRB Forecast

# SUMMARY

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- **Self-funded program - borrowing for cash flow management**
- **Workload has doubled and we are just starting renewals and enforcement**
- **License processing drives license and tax revenues**
- **Licensing revenue drives enforcement**
- **Enforcement drives compliance with state law and federal DOJ Cole memorandum**
- **Request:**
  - **37 positions**
  - **\$7.3 million over Governor's budget contributing to \$115 million in distributable tax revenue**



# APPENDIX

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## MARIJUANA LICENSE FEES

# MARIJUANA LICENSE FEES

Marijuana Fee Type	Current Fee Amount
Application Fee for Initial License or Certificate	\$250
Annual Marijuana Producers License Tier 1 (large grower)	\$3,750
Annual Marijuana Producers License Tier 2 (large grower)	\$5,750
Annual Micro Tier 1 Producers (small grower)	\$1,000
Annual Micro Tier 2 Producer (small grower)	\$2,000
Annual Marijuana Processor License	\$4,750
Annual Marijuana Wholesaler License	\$4,750
Annual Marijuana Retailer License	\$4,750
Annual Marijuana Laboratory License	\$4,750
Research Certificate (three year term)	\$4,750
Marijuana Handler Permit (five year term)	\$100
Additional Criminal Background Check	\$50
Change of Ownership Review	\$1,000
Change of Business Structure Review	\$1,000
Transfer of Location of Premises Review	\$1,000
Packaging Preapproval fee	\$100
Labeling Preapproval Fee	\$100
Late Renewal Fee for license if received less than 20 days before expiration date	\$150
Late Renewal Fee for license if received after expiration date	\$300
Late Renewal Fee for handler permit if received less than 20 days before expiration	\$50
Late Renewal Fee for handler permit received after expiration date	\$100