

Testimony of Geoff Sugerman
Oregon Cannabis Association Board Member
Groundworks Industries, Chief Compliance Officer

Chair Lively and members of the committee,

Thank you for the honor of testifying before you today. As a board member and founding member of the Oregon Cannabis Association, and the Chief Compliance Officer for Groundworks Industries, I have had the opportunity to implement the many laws and rules changes we have seen over the past three years. It has been an exciting, challenging, and rewarding time as we have worked to grow this new industry.

The OCA is a trade association and political organization with approximately 300 individual and business members. Groundworks is a vertically integrated cannabis company with licenses to grow, produce edibles and oil, distribute and sell in the legal retail market.

Despite the challenges we face as an industry, this system is working. We now have around 40,000 marijuana handler cards issued. The cannabis industry has rapidly become one of the fastest growing and significant segments of our economy.

The taxes we have generated have clearly helped the state's economy. I was happy to read a recent story in the Statesman Journal about the revenue the tiny city of Gates is receiving, and how neighboring towns just up the road from us are looking to end their bans on cannabis and allow legal cannabis in their communities.

We also know there are those who are not paying their taxes, despite the fact they are collecting them from their customers. This legislature needs to help address that issue by making sure the Revenue Department and the OLCC are aligned on actions to take to collect those funds.

When we first began putting the rules and laws in place for cannabis, this Legislature made a very intentional decision to keep the barriers to entry lower than any other state. The Legislature wanted those who had been involved in the medical marijuana industry to come into the legal regulated market. And that has indeed happened. Even today the majority of participants at all levels of this market come from those who began on the medical side. We said back then, everyone should have a shot, but we all know everyone won't survive. Today we see market forces at work as the industry begins to consolidate.

Back in 2015, we wanted to bring as many producers into the fold so that we could know exactly how much was being grown and where it was going. Today, we probably don't grow a whole lot more than we did back then. But we account for it and know where it is.

The OLCC recently published a supply and demand study that concluded there is 6.5 year supply of cannabis in the recreational market. Understandably, this number has generated significant attention, but is frankly a theoretical number captured at a point in time making a number of assumptions. It fails to account for increasing demand, the age of product, the inability of labs to all accurately predict THC levels, and a host of other issues. In its report the OLCC freely admits these assumptions may lead to an indication that there is more inventory in the market place than actually exists.

But even if the supply number were accurate, we still have accomplished our first and most important major objective, which is to bring all the product we can into the regulated market.

Certainly providing OLCC with the resources they need to investigate, inspect and process licenses is critical and the OCA strongly supports a significant increase in its budget. The OCA also supports improving the Oregon Department of Agriculture's ability to monitor and verify lab results on an ongoing basis.

This session, there are a number of issues in front of the Legislature from many varied people in the industry.

On a personal level, the most important bill this session is the one to expunge criminal records for felony and misdemeanor convictions, and to restore to tens of thousands of people a clean record that will allow them to apply for jobs, get housing and rebuild lives that were destroyed due to a minor marijuana conviction.

Another significant criminal code change would be to grant an exception to licensees who wish to sell out of state to legal licensees in other states in the event federal law changes to allow them to do so. This is part of the discussion about how to prepare Oregon to export marijuana to other states by entering into agreements with other states, or simply removing criminal penalties regarding transport under certain very controlled instances. Preparing for a time when we can transport out of state is a wise move today and will place Oregon at the forefront of the export conversation.

We also have an issue with social consumption that must be dealt with. The OCA consumption bill. HB 2233 by Reps. Nosse, Helm, Fahey, and others is a result of many months of negotiations on how to allow consumption, especially for those who live in housing where it is not permitted, and tourists seeking to take a taste of our legal market. Our bill would establish a system similar to outdoor smoking areas for tobacco by allowing combustion or vaping only out of doors in accordance with the Oregon Indoor Clean Air Act. It is a modest step forward that begins to address these issues and will provide a safe venue for consumption under the existing OLCC license structure.

This bill also includes the ability for the OLCC to promulgate rules to allow for sampling and consumption for temporary events. We support that strongly.

Finally I want to give a shout out to the incredible staff at OLCC, and the 40 thousand or so workers in this industry who are trying very hard every single day to make this system work. The vast majority of people and companies in this industry are paying their taxes. They are compliant. They are not selling on the illegal market. And we are dedicated to having the most compliant, successful cannabis industry in the nation. I think we are already well on our way.

Our system does not need wholesale changes. It needs a steady hand, a competitive environment, a more robust OLCC, and every step we can take to eliminate the barriers placed on many people who ran afoul of marijuana laws in past decades.