

SB 218 -1, -2, -3 STAFF MEASURE SUMMARY

Senate Committee On Business and General Government

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Meeting Dates: 2/28, 3/21

WHAT THE MEASURE DOES:

Authorizes Oregon Liquor Control Commission (OLCC) to refuse to issue marijuana production licenses based on market demand and other relevant factors. Authorizes OLCC to adopt rules regarding public notice and whether to accept applications while refusing to issue production licenses. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- Current oversupply of 6.5 years worth of retail product and impact to licensed producers and retailers
- OLCC commitment to implementing the measure and potential methods to determine appropriate producer licensing levels
- Unique needs of medical marijuana patients, high volume of specialized product required to create medicine, and potential market value of exports
- Potential impact to individuals currently seeking a producer license
- Proposed amendments to create additional license requirements for existing producers

EFFECT OF AMENDMENT:

- 1 Requires licensed producer not connected to licensed processor, as condition of renewal, to demonstrate producer has contracted with licensed processor or retailer to transfer at least 90 percent of product produced during licensure period.
- 2 Requires OLCC to suspend license of retailer for at least 30 days if retailer fails to remit tax imposed on sale of recreational marijuana or fails to file quarterly tax return twice in any four consecutive quarters. Requires OLCC to revoke the license of a retailer who fails to correct tax violations by end of license suspension. Requires Department of Revenue to notify OLCC when licensed retailer fails to remit taxes or file quarterly tax returns.
- 3 Clarifies that measure does not impact renewal of an existing license or issuance of reissuance of license necessitated by change of location or ownership.

BACKGROUND:

Oregonians voted to legalize the production, sale, and consumption of recreational marijuana in 2014. Retail sales began through approved medical marijuana dispensaries in October 2015 and the Oregon Liquor Control Commission (OLCC) began issuing recreational marijuana licenses in April 2016. The retail price per gram of recreational marijuana dropped from over \$14 in 2015 to less than \$7 by the end of 2017, mostly due to significant oversupply of product. Today, advertisements for \$3 a gram are common in retail stores throughout the state. Concern exists that the oversupply is harming the legal market and leaking into the black market.

Current statute specifies when OLCC may refuse to issue a production license to an applicant that meets specified standards. Grounds for denial do not include over-saturation of the retail market. Senate Bill 218 allows OLCC to refuse to issue production licenses based on market demand and other relevant factors as the commission determines necessary.