

SB 218 B -B7 STAFF MEASURE SUMMARY

House Committee On Economic Development

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Meeting Dates: 5/8, 5/22

WHAT THE MEASURE DOES:

Authorizes the Oregon Liquor Control Commission to refuse to issue initial marijuana production licenses based on the supply of and demand for marijuana. Requires Commission to adopt rules, including rules on public notice and whether to accept applications during periods when it is not issuing production licenses. Sunsets January 2, 2022. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- Impact on applications already submitted to the Oregon Liquor Control Commission
- Potential for federal action without further state action on supply
- Impacts from the removal of residency requirement for marijuana licensees and outside investment
- License attrition rates, replacement of license holders, and license value inflation
- Moratorium measures of success

EFFECT OF AMENDMENT:

-B7 Requires Oregon Liquor Control Commission to process marijuana production license applications received on or before June 15, 2018 and that have submitted a land use compatibility statement within 21 days of the effective date of the measure. Allows Commission to inactivate applications if the land use compatibility statement is not timely submitted or if the application was received after June 15, 2018. Prohibits applicants from changing the application location or making a change of ownership of 51 percent or more. Requires Commission to adopt rules to establish timelines for the completion of applications and to pause the processing of an application. Requires Commission to study the effects of measure on marijuana industry and report annually to the Legislative Assembly.

BACKGROUND:

In 2014 Oregon voters enacted Ballot Measure 91, allowing the recreational use of marijuana for persons 21 years or older in Oregon. The measure directed the Oregon Liquor Control Commission (OLCC) to administer and regulate the recreational system. Under the OLCC licensing process, applicants submit a license application in the online licensing system and pay an application fee. OLCC receives the application and a license investigator begins a completeness review, followed by a compliance review. An OLCC inspector also visits the site to determine compliance with physical requirements. If an applicant meets all application and premise inspection requirements, and all fees are paid, the license is issued. Licenses must be renewed annually.

Measure 91 and subsequent legislation created a recreational marijuana system intended to convert illegal and grey market producers and consumers to the legal market. The barriers to entry are lower in Oregon than other states. "The number of applications for licenses to produce recreational marijuana has also continued to exceed expectations. Decreasing consumer prices are a direct result of supply that exceeds demand and have increased market pressure on licensed operators throughout the supply chain." Supply in the recreational market is twice the level of current demand. (Executive Summary, OLCC 2019 Recreational Marijuana Supply and Demand Legislative Report).

Senate Bill 218-B allows the OLCC to refuse to issue initial marijuana production licenses based on the supply of and demand for marijuana through January 2, 2022.