

SB 218 C STAFF MEASURE SUMMARY
House Committee On Economic Development

Carrier: Rep. Fahey

Action Date: 05/22/19

Action: Do pass with amendments to the B-Eng bill. (Printed C-Eng.)

Vote: 8-2-1-0

Yeas: 8 - Bonham, Drazan, Fahey, Lively, Marsh, McKeown, McLain, Wallan

Nays: 2 - Barreto, Witt

Exc: 1 - Helm

Fiscal: Has minimal fiscal impact

Revenue: Has minimal revenue impact

Prepared By: Melissa Leoni, LPRO Analyst

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 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 submitted in timely manner 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 implement the measure, including timelines for the completion of applications. Requires Commission to study the effects of measure on marijuana industry and report annually to the Legislative Assembly. 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 the 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:

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 submitted in timely manner 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 establishing timelines for the completion of applications. 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.

This summary has not been adopted or officially endorsed by action of the committee.

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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. (OLCC 2019 Recreational Marijuana Supply and Demand Legislative Report, Executive Summary).

On May 30, 2018, the OLCC announced it would temporarily pause the processing of recreational marijuana license applications. At that time, the OLCC had a nine-month backlog of applications waiting to be assigned for investigation. The OLCC stated that it would accept and process license applications received by June 15, 2018 and that it would continue to accept, but not immediately process, license applications received beginning June 16, 2018.

Senate Bill 218-C gives the OLCC the ability to refuse to issue initial marijuana production licenses based on the supply of and demand for marijuana through January 2, 2022, and clarifies that applications will be processed if they are received on or before June 15, 2018 and have submitted a land use compatibility statement (LUCS) within 21 days of the effective date of the measure. Applications received after June 15, 2018, and those without a LUCS 21 days after the effective date, will be inactivated. OLCC will by rule further define timelines for the processing of production licenses and report annually to the Legislative Assembly on the impacts to the industry.