



March 11th, 2021

Re: Testimony regarding SB 408

Chair Riley and the Honorable Members of the Senate Committee on Labor and Business:

My name is Jesse Bontecou, I am the Co-Director of the Oregon Retailers of Cannabis Association (ORCA). We represent approximately 500 businesses of all sizes and license types and from every region in Oregon and so I am going to keep my testimony broad.

Thank you for your time and consideration in looking at Senate Bill 408 and more specifically the dash one amendments. The issues addressed by this bill and our amendments deal with some of the most frustrating, costly and yet fixable issues that our industry grapples with. Moreover, they represent the unified priorities of all the major cannabis trade associations in the state which you will hear from today – ORCA, OCA, OIPA and Farms Inc.

It is important to note that we still have work to do on the amendments but that we have already made great progress finding common ground with the OLCC, which we appreciate deeply. I have no doubt that this collaboration will continue successfully.

A couple of things I want to specifically note - after discussions with the OLCC, we will not be pursuing Section 3 of this bill relating to violations from thefts - that is off the table. In section 11, 12, and 13 it was never our intention to ask to double the felony possession limits to 16lbs up from the current 8lbs - that too is off the table.

That being said, the remaining sections of this bill are very important and reasonable technical fixes that will foster business innovation, expansion, and some small amount of financial security while not impacting public safety. The primary goal of this bill is to begin addressing the legacy of costly over-regulation that is putting this industry at risk of suffocation in several distinct ways.

Firstly, the over-regulations negatively impact the customers' experience by not giving our retailers or processors the flexibility to cater to their demands. Increasing personal possession limits, and thus purchase limits, as well as increasing the concentration levels per container for edibles will help change that dynamic and put us in line with other legal states.

Secondly, over-regulations increase operational and compliance costs, making it massively more expensive to get into business, become profitable and develop the financial resources necessary to grow both in Oregon and other states. The reforms we are pursuing relating to transfers and routing, plant diversity, and packaging will reduce operational costs for our licensees and increase their ability to innovate.

Thirdly, over-regulation burdens licensees with violations that are often very minor that they then have to report when applying for licenses in other states - hurting their chances to get a license. Investors are



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attracted to states that have a less cumbersome regulatory environment with lower operation and compliance costs. Additionally, the emotional and financial toll that dealing with violations, especially when it can take years for them to be adjudicated, is immense. Our efforts to create a more reasonable enforcement environment through these proposed reforms will be a major step towards addressing these issues and treating our cannabis businesses like the normal everyday entrepreneurs and businesses they are – to the fullest degree possible.

Sadly, all of these issues have a tendency to affect small and rural businesses disproportionately, as they have fewer resources to deal with the added costs inherently caused by these issues.

I cannot express how important it is for the industry to begin addressing this now. Despite 2020 representing a record year in total retail sales and growth - generating over 1.1 billion dollars - most cannabis businesses are still struggling. That 1.1 billion dollars divided by our approximately 2500 licensees is only about \$450,000 per license annually in total revenue.

In a market that is this competitive, every cent counts. Especially when we have no federal bankruptcy protections, cannot qualify for any financial aid for fires or natural disasters. When we are robbed, we still owe taxes on the stolen money. Insurance is severely lacking, banking is painfully limited, normal business loans non-existent, and because of the federal tax code, folks can suffer up to an effective tax rate of 70%. We can't even deduct the health insurance for our employees. On top of that we are still competing with the illicit marketplace. In other words, our members have taken on more risk with less support than any other industry that I know of. Despite this our industry grew by 39.65% last year, generated \$133 million in taxes, and now employs over 25,000 folks in Oregon.

It is in that light that we ask you to listen to the stories of all those testifying on behalf of our amendments to Senate Bill 408 and support passing its common-sense reforms.

It is our hope that one day, sooner than later, Oregon will be become the Cannabis breadbasket for America's \$100 billion dollar cannabis market with home-grown, Oregon-based businesses. But to really be able to do that we need these changes to create a better business environment in which our members can thrive, grow, and compete free of unreasonable restrictions.

Thank you for your attention and consideration, I am happy to answer any questions today or any time that is convenient for you.

Respectfully,

Jesse Bontecou

Co-Director

Oregon Retailers of Cannabis Association

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