



Chair Beyer, and Members of the Senate Committee on Finance and Revenue:

My name is Casey Houlihan and I am the Executive Director of the Oregon Retailers of Cannabis Association (ORCA), the largest trade association of cannabis businesses in Oregon, representing over 500 different member businesses of all license types throughout the cannabis supply chain and all sizes, from big businesses to mom and pop stores – located in every corner of the state.

We are writing to you today to convey our strong opposition to SB 1506.

The cannabis industry remains somewhat anomalous on the Oregon business landscape, with the first licenses for adult-use businesses having been issued less than five years ago – when the bulk of this market operated in the underground and illicit economy. During that five year period, there have been tremendous strides in bringing market share into the legal economy, but there's a lot of work left still to do and consumers are still highly price conscious. Cheaper illicit cannabis products remain readily available as a byproduct of the ongoing federal prohibition of cannabis nationally (and Oregon, as many of you know, remains a leader in illicit cannabis production and export).

Given the nascency of our industry and the ready availability of unregulated cannabis here in the state (a problem that will not be resolved fully until we have a legal means of exporting our surplus cannabis to other states), we feel that such a steep increase in the cost of retail cannabis is likely to displace a very large and significant percentage of consumers from the legal market place. In fact, this is a theory that has been backed by several leading economic analysts in the industry, who have estimated that this type of increase will almost certainly lead to a double-digit percentage of consumers being displaced from the legal market - who will instead buy from unregulated sources.

Not only could this result in a potential net loss of tax revenue, but also poses public safety risks. Products on the illicit market are untested for harmful contaminants, and people making those sales are not checking ID's to ensure that the people making the purchases are at least 21 years of age.

Despite the headlines touting record-breaking retail sales figures from last year of over \$1.1 Billion in total sales, that figure doesn't take into account the incredibly high volume of retail licensees in Oregon. With over 730 active retailer stores, per-store sales average to roughly 1.5 million per year – barely enough for many smaller, mom-and-pop operators to stay afloat, especially with the unusually high federal tax rates that cannabis businesses must pay due to section 280E of the federal tax code -which prohibits them from taking most deductions available to other businesses.

We ask the committee to consider these factors in their thinking about this proposed legislation, as these are the reasons why **we are asking you to oppose SB 1509.**

Thank you for your consideration and I am happy to answer any questions you have.

Respectfully,
Casey Houlihan
Executive Director, Oregon Retailers of Cannabis Association.