

# OREGON LIQUOR AND CANNABIS COMMISSION

House Economic Development and Small Business Committee

January 19, 2023





# OLCC'S MISSION

Support businesses, public safety,  
and community livability  
through education and the enforcement  
of liquor and marijuana laws.



# OREGON LIQUOR AND CANNABIS COMMISSION

## OVERVIEW

### Third largest generator of public funds

- **2021-23 estimated \$629 million** in **liquor revenue** distributed to general fund, cities and counties
- **2021-23 estimated \$312 million** in **marijuana tax revenue** distributed to drug treatment and recovery, schools, cities, counties, state police and mental health (December 2022 Forecast OEA)

### Core functions

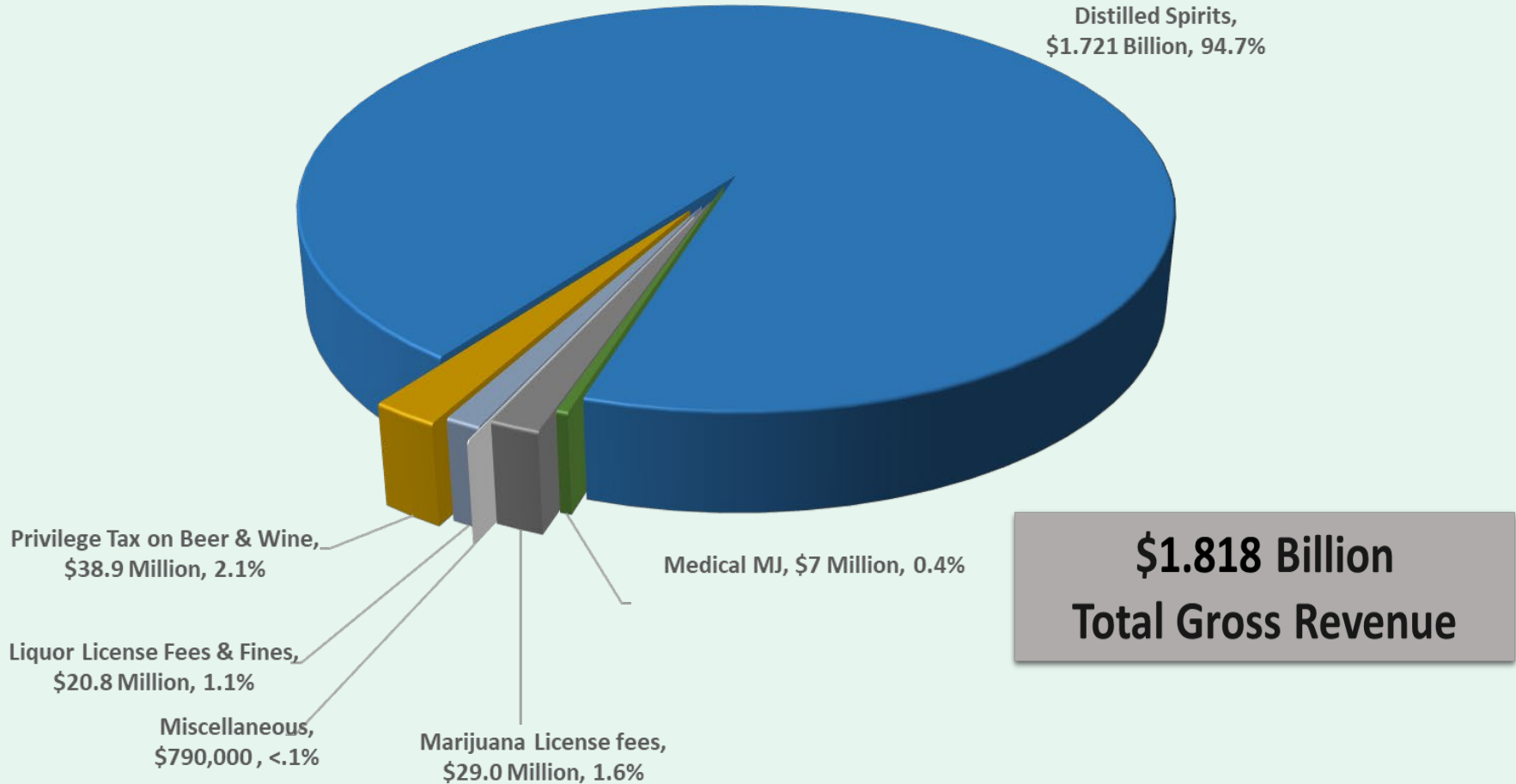
- Centrally purchase, warehouse and distribute bottled distilled spirits to OLCC-appointed retail agents
- License and regulate alcohol licensees and alcohol server permits
- Ensure industry & consumer compliance with bottle bill and approve redemption centers
- License and regulate marijuana licensees and marijuana worker permits
- Track and inspect OHA medical grow sites that grow for three or more medical cardholders, OHA processors and dispensaries
- Track transfer of hemp and hemp products processed and sold by OLCC licensees

### Funding

- Alcohol Program is funded from distilled spirits markup, license fees and privilege tax; Recreational Marijuana Program is license fee funded; OHA tracking and inspections are marijuana tax funded

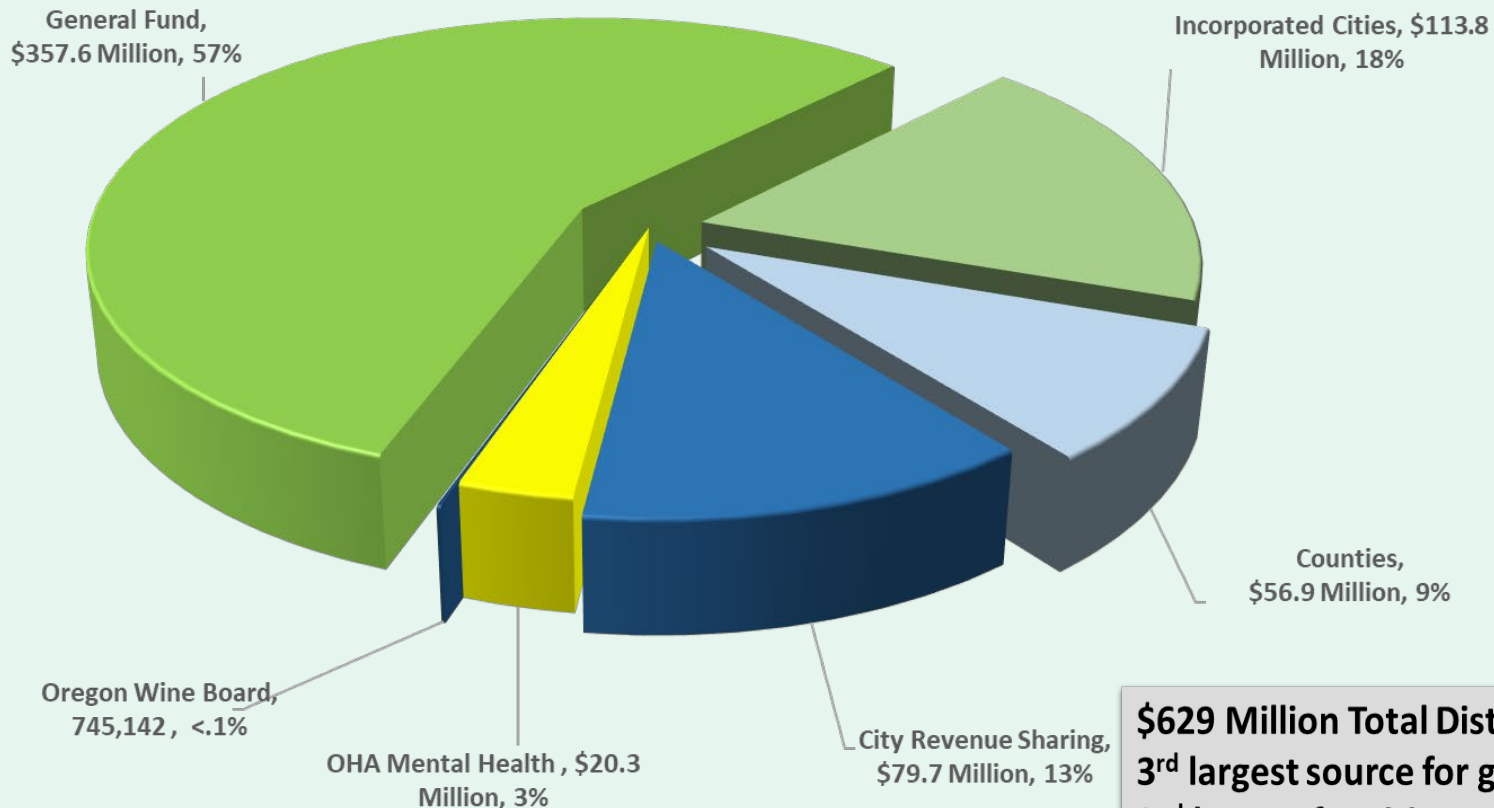
# PROJECTED GROSS REVENUE SOURCES

## 2021-2023



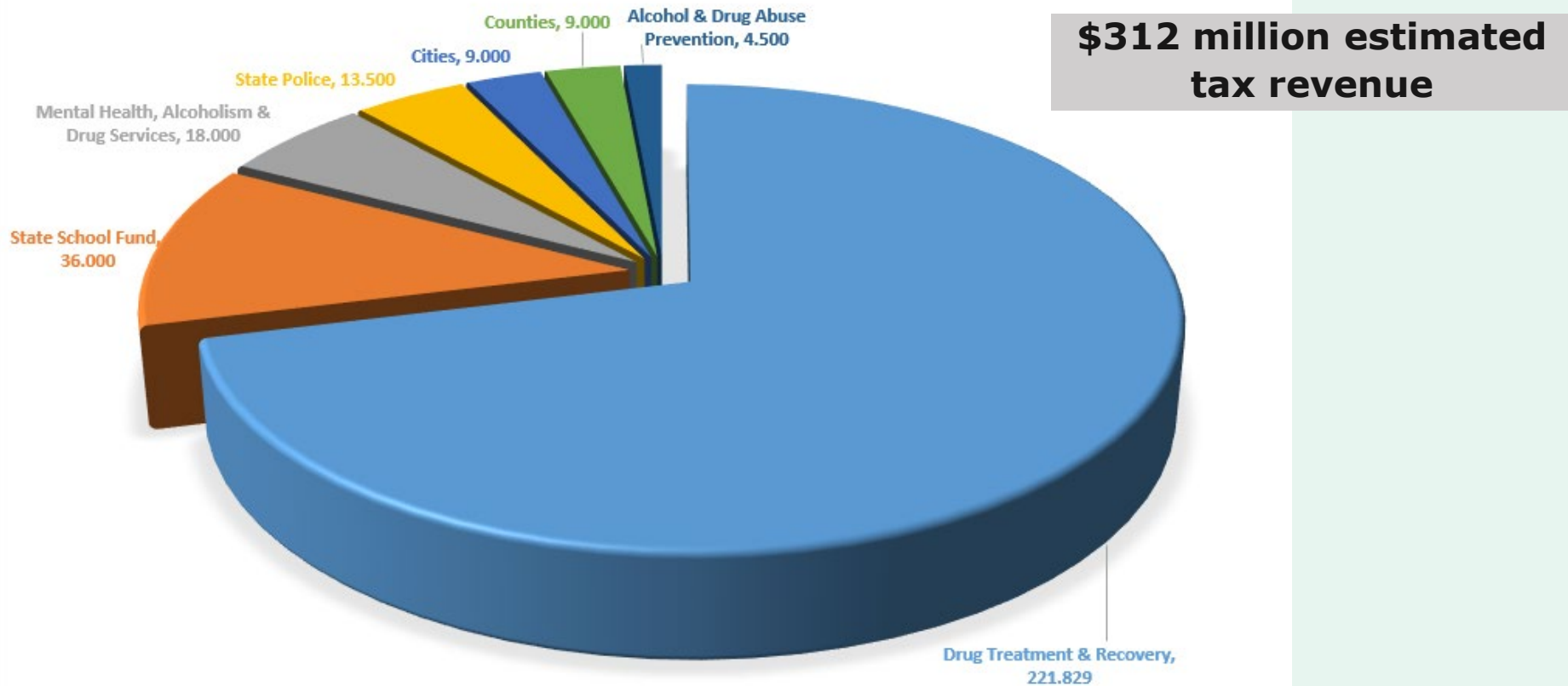


# PROJECTED ALCOHOL NET REVENUE DISTRIBUTION



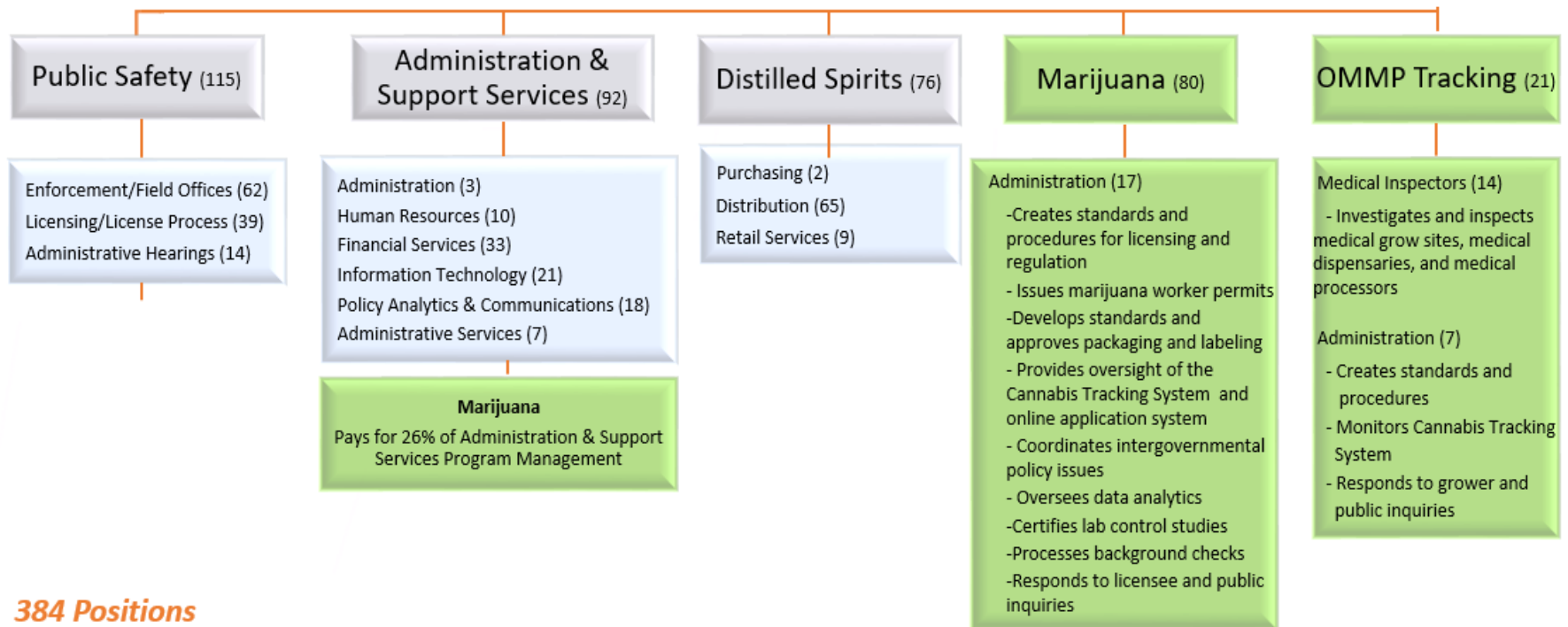
**\$629 Million Total Distributions**  
**3<sup>rd</sup> largest source for general fund**  
**2<sup>nd</sup> largest for cities and counties**

# PROJECTED MARIJUANA TAX DISTRIBUTION



# OLCC STAFF

## 2021-2023



**384 Positions**

A photograph of several cannabis plants growing in black plastic pots filled with brown soil. The plants have green, serrated leaves. The image is used as a background for the title.

# CANNABIS REGULATION OVERVIEW



# CANNABIS IN OREGON

## ADULT USE – MEDICAL – HEMP

**Oregon Liquor and Cannabis Commission (OLCC):** Adult use marijuana businesses and worker permits. Authority to set THC concentration limits for marijuana and hemp products.

**Oregon Health Authority (OHA):** medical marijuana activities/businesses, testing standards and requirements

**Oregon Department of Agriculture (ODA):** commercial kitchens, scale certification, certain food handling activities, pesticides and industrial hemp

# CANNABIS IN OREGON

## ADULT USE - OLCC

**Statute:** ORS Chapter 475C

**Administrative Rules:** OAR Chapter 845- Division 25 and 26

**License Types:** Producers (1,412), Processors (330), wholesalers (276), retailers (820), laboratories (18) and Research Certificate (1)

**Permit Types:** Worker Permits (63,768)

**Certificates:** Research and hemp (for hemp sold or processed by a licensee)

**Oregon Department of Revenue** (DOR): tax collection of adult use sales, medical sales are tax exempt

**Local jurisdictions:** Opt-In/Opt-Out, law enforcement, governing bodies, code enforcement

# HB 3000 AND SB 1564 TASK FORCE ON CANNABIS DERIVED INTOXICANTS AND ILLEGAL CANNABIS PRODUCTION

- Established a **bipartisan and bicameral Task Force** including representation from cities, counties, law enforcement, hemp growers, hemp handlers, marijuana licensees, OSU's Global Hemp Innovation Center, Law enforcement, BOLI, OWRD, ODA, OHA, and OLCC.
- The **purpose** of the task force is to **consider the items listed in 2021 HB 3000 and 2022 SB 1564** to develop a report including final findings and recommendations for legislation, to the interim committee of the Legislative Assembly related to economic development no later than December 31, 2022.
- Three Subcommittees – Law Enforcement, Water/Natural Resources and Cannabinoids.
- Task force related legislation (so far): SB 326, HB 3048 and HB 3049



# HB 3000 AND SB 1564 TASK FORCE RECOMMENDATIONS

- **Create a fee-based registration system** administered by the OLCC for **all hemp items** for human and animal consumption that **contain cannabinoids**, excluding topical products and grain/fiber hemp products that do not contain added cannabinoids.
- Requiring all **adult use cannabis items** to be labeled **“Not for Children”**.
- Supporting the **establishment of a state reference lab**, to assist ODA, OHA, and OLCC in enforcement of testing standards and laboratory oversight.
- Continue to **fund the CJC Illegal Marijuana Market Enforcement Grant program**, including funds for law enforcement, Community Based Organizations and Oregon Water Resources Department.
- **Allowing circuit court judges** to **issue a search warrant outside the judicial district** when the **search involves interrelated conduct carried on in more than one county**.
- Making **unlawful use of water for production of cannabis** a **Class A misdemeanor**.
- **Increasing penalties for large illegal operations**, and when felony-level possession or production occurs in conjunction with certain other activities that harm persons or the environment.







# LIQUOR REGULATION OVERVIEW



# REGULATING ALCOHOL DISTRIBUTION: SPIRITS, BEER, CIDER, & WINE

## Oregon Alcohol License System

- All alcohol products from the manufacturer to distribution to retail stores pass through an entity licensed by Oregon
- Licensees include distilleries, wineries, breweries, warehouses, distributors, restaurants, bars, caterers, grocery stores, convenience stores, and any business that makes, moves, and sells alcohol

## The Oregon Liquor and Cannabis Commission regulates all business practices and enforces liquor law through its seven member commission

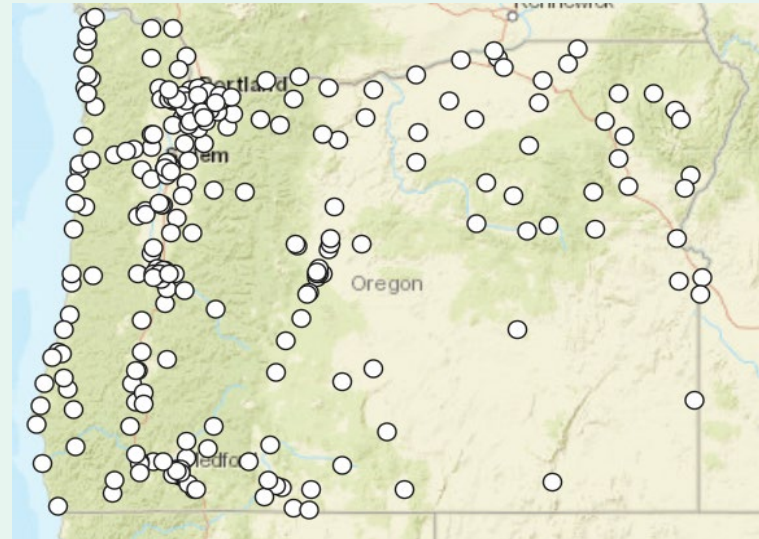
- **Issues** all types of **liquor licenses**
- Competitively **appoints** new **liquor agents**
- Promulgates **rules** and adjudicates all **liquor law violations**
- **Oversees** administrative **operations**, operations of **distribution**, and the warehouse, and it **lists distilled products** for availability in the Oregon system
- **Ensures** the collection and distribution of predictable and **stable revenue** for public purposes



# DISTILLED SPIRITS PROGRAM

## DISTRIBUTION

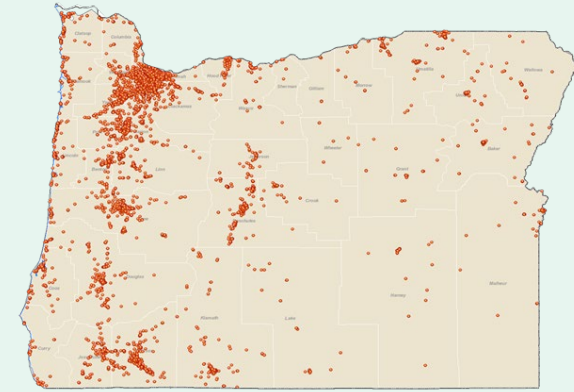
- Delivered to Warehouse Stored in Bailment (vendor owned)
- Ordered by Liquor Store
- Shipped to Liquor Store
- OLCC pays manufacturer and owns inventory
- Sold to Customer or Licensee
- Liquor Agent paid Commission for sale
- 284 liquor stores statewide



# LICENSING DIVISION

## ALCOHOL LICENSES & PERMITS

<b>Total Annual Liquor Licenses</b>	<b>13,621</b>
Restaurants and Bars (On-premises licenses)	7,576
Grocery/Convenience Stores (Off-premises licenses)	4,022
Wineries	1,245
Brewers/Brew Pubs	412
Distributors/Wholesalers	217
Distilleries	149
Special Event Licenses	16,000
Out-of-state certificates	3,445
Alcohol Service Permits	165,000





# WAREHOUSE RELOCATION

## CRITICAL FACTORS

### Location meets all OLCC Criteria

- **Location aids in the distribution of distilled spirits** – Deloitte study
- City of Canby road upgrade to 99E

### Acreage allows for a 400,000 sqft warehouse and 30,000 sqft Headquarters

- Quality land features, cleared to bare ground and entitlements by seller
- Sets agency up for **30 – 50 years of growth potential**
- Room for future expansion or sale of excess land if not needed in the future

### No time to spare

- **10-year revenue at risk is \$1.5 billion without relocation**
- **Project completion** expected in the **summer of 2025**
- Even a **6-month delay** in the project **puts \$190 M of revenue at risk**
- **Project** is estimated to **pay for itself** in approximately **18 months**, purely from capturing the revenue at risk during that timeframe.

# CREATING A SYSTEM OF **ALCOHOL DELIVERY** ACCOUNTABILITY

- Several states already have robust regulatory systems in the world of alcohol delivery
- Oregon's current regulatory framework lags behind several states, and lacks the tools to monitor home delivery to make sure alcohol is being provided in a safe and responsible way
- **Vermont, Virginia, Mississippi, and Alabama** all issue licenses/permits for alcohol delivery companies, which allows the state to:
  - Collect fees;
  - Require training, either state issued or state-approved in-house training;
  - Conduct compliance checks;
  - Issue fines for compliance violations
- Oregon **does not have the authority to conduct minor decoy operations** (compliance checks) for delivery, and does not issue licenses/permits for delivery companies or collect fees.



# POSSIBLE 2023 LEGISLATION

## Liquor:

- Home delivery concept
- Removing bonding requirement for licensees that produce beer and wine
- Technical fixes

## Cannabis:

- Reference laboratory in collaboration with ODA
- Technical fixes