HB3183 OCA/CIAO Written Testimony (MG Draft 1 022423)

Chair Holvey, Vice-Chairs Sosa and Elmer, and Members of the House Committee on Business and Labor,

On behalf of the Oregon Cannabis Association and the Cannabis Industry Alliance of Oregon, two organizations whose combined membership represents the majority of the state's cannabis industry, we are writing to voice concerns about HB 3183.

Our membership supports the right of cannabis workers to organize and we feel such organization often leads to stronger relationships between owners and labor. Oregon's cannabis industry has a long history of strong wages and support for its workers. To our knowledge, there has been no evidence of licensees trying to impede labor organizing.

As you consider this bill in its current form, our two associations believe that it is important for you to consider several conditions facing our industry. Primarily, we believe it is important to consider the decentralized nature of Oregon's cannabis economy—today no single company controls even just 10% of the total market. Put more bluntly, the vast majority of the licensees that HB 3138 would apply to are small Oregon based businesses operating in a particularly complex regulatory and business environment, which has significantly hindered our industry. Even the largest cannabis businesses are still in the earliest stages of growth.

To illustrate the point, here are the numbers:

- Oregon's recreational cannabis market achieved $994,165,764 in gross sales
- At years end, there were approximately 2861 active licenses
- That means that on average, cannabis licensees in Oregon saw only $347,488 in gross revenue last year
- This number is down approximately $116,000 per license (or approximately one third) from 2020

Every single cannabis business in the state will also say that they are under increased economic pressure which is substantiated by the decrease in sales, decrease in revenue and the number of businesses which are profitable- fewer than 24%.

It is also *critical* to keep in mind the tax structure under which legal cannabis businesses operate. With IRS section 280e in place, cannabis retailers cannot take regular business deductions which includes a prohibition on writing off the cost of labor. This is a business hurdle no other industry faces.

With the context of the current state of our industry, HB 3183 gives us significant concerns that our members, as OLCC licensees, could see their licensure revoked or suspended with no clear and deliberative process articulated in the bill to resolve an issue prior to revoking licensure. License suspension and revocation is one of the most severe consequences that can be levied on our members and is often reserved for the most egregious violations. To attach this possibility to the provisions of HB 3183 without any clear process, creates regulations for our industry not required of any other private industry in Oregon.

Additionally, HB 3138 seeks to expand the enforcement responsibilities and scope of the OLCC, at an increasingly critical time for the agency. Both of our organizations are extremely concerned about the impact the additional responsibility, particularly with the ambiguity of process outlined in HB 3183, would have on the agency's mission to support businesses, public safety, and community livability.

Given the fragile state of the cannabis industry in Oregon, both of our organizations have committed to defend our members against any further undue regulatory burdens especially when they risk the real threat of putting our members out of business. We are also committed to maintaining positive relationships between industry and labor partners, as currently exists, and are hopeful that additional conversations can be had to address the very real concerns our members have about some of the language in HB 3183.

In its current form, the Oregon Cannabis Association and Cannabis Industry Alliance of Oregon cannot support HB 3183; however, we remain hopeful that we can work with the proponents of the bill to try and find common ground solutions.

We ask that you consider the concerns raised by our associations and join us in opposing HB 3183 as drafted.

There are additional issues for the Committee to keep in mind:

1. There is no other private industry in the state that have their business licenses and ability to operate tied to the signing of a labor agreement. Imagine if every coffee shop, big or small, needed to sign a labor agreement to open their doors.
2. This is beyond the scope of the OLCC's mandate, and the agency should not be required to, essentially, arbitrate labor issues.
3. We do not support any bills that create additional regulatory sanctions for cannabis licensees- especially when the result of enforcement could, and would in this case, result, in the forced closure of a business or refusal to issue and renew licenses.

Both associations would be happy to open the door to a thoughtful conversation between labor and the industry. As HB 3183 is presented we strongly oppose it and hope that, given the economic stressors and the harsh regulatory action required that, as drafted, this bill does not move forward. The industry cannot take another blow, more costs or more punitive regulatory processes.