

# Oregon Recreational Marijuana Program

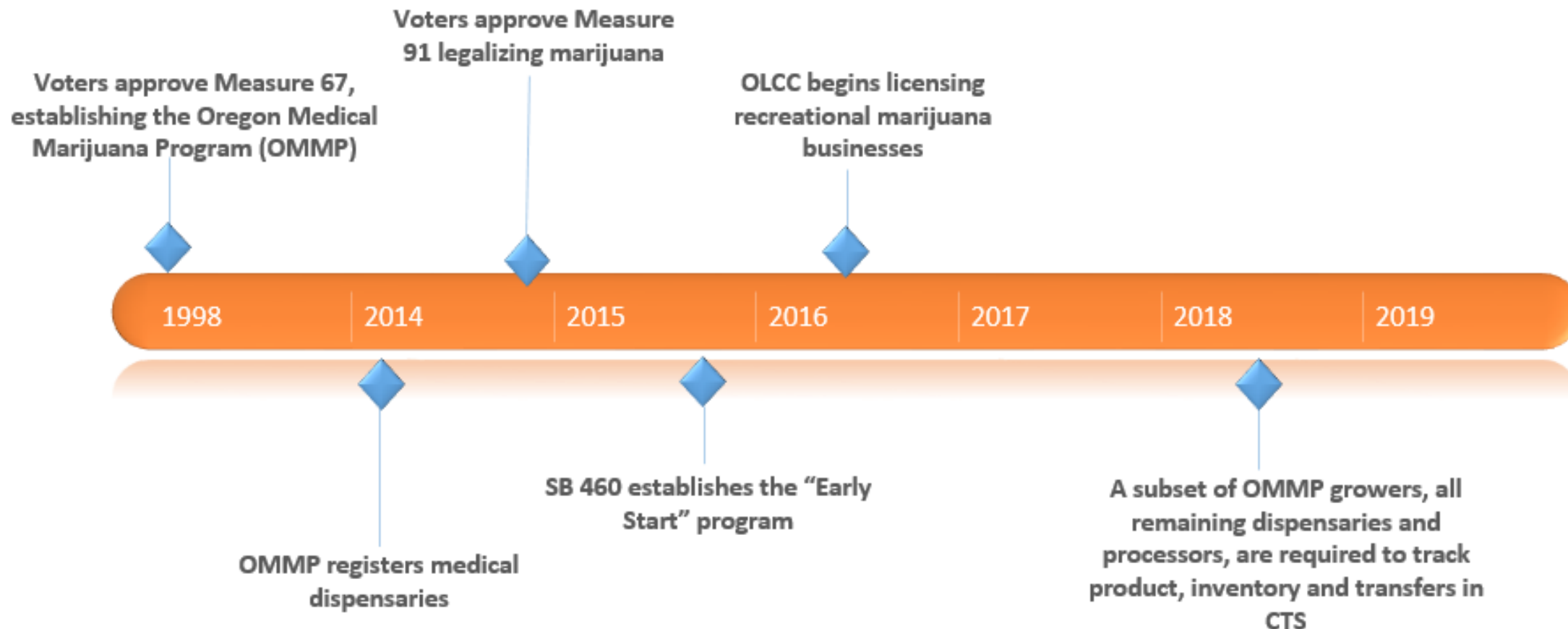


House Committee on Economic Development  
January 30, 2019

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Amanda Borup, OLCC Marijuana Policy Analyst; Jason Hanson, OLCC Medical Marijuana Regional Manager

# Recent Marijuana History in Oregon – Encouraging Participation in the Regulated System





# Environment

- Measure 91 called for open licensing and a consumer market for age 21 and over
- OLCC and legislature focused on policies to:
  - Convert an illegal industry known for unquantified exports
  - Encourage OMMP inclusion in recreational system
  - Create a supply chain from production to sales
- Since February of 2016 the Department of Revenue collected approximately 196.4 million dollars in marijuana state and local tax





# The Road Ahead

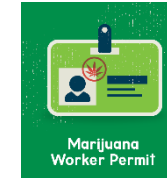
- Supply Study
  - Open system led to predictable outcome
  - Production higher than Oregonians can consume
  - Oregon industry positioning for a national marketplace
  - Market signals leading to new investments, consolidations and changes in ownership
  - Not a regulatory problem as long as marijuana remains in inventory





# Adaptability and Flexibility to Manage Uncertain Markets

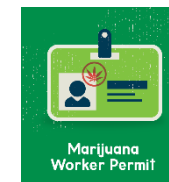
- Governor has legislation (SB 218) giving OLCC authority to impose licensure caps, moratoriums or other controls on production
- There are signs the market is adjusting
  - Less focus on volume and more focus on quality
  - Well capitalized investors are consolidating existing licenses and have a long term interest in compliance, licensure, and brand building
  - Licenses surrendered, expired or cancelled
- Balance demand for licenses with compliance capability and potential federal policy changes





# OLCC Recreational Marijuana Program

- Program Overview
- License Types and Requirements
- Patient Access in the OLCC Recreational System
- OMMP Tracking in CTS
- OLCC Compliance
- Market Trends





# State Marijuana Law and Responsible State Agencies

M91 November 2014

Statutes: ORS Chapter 475B

Administrative Rules OAR Division 25

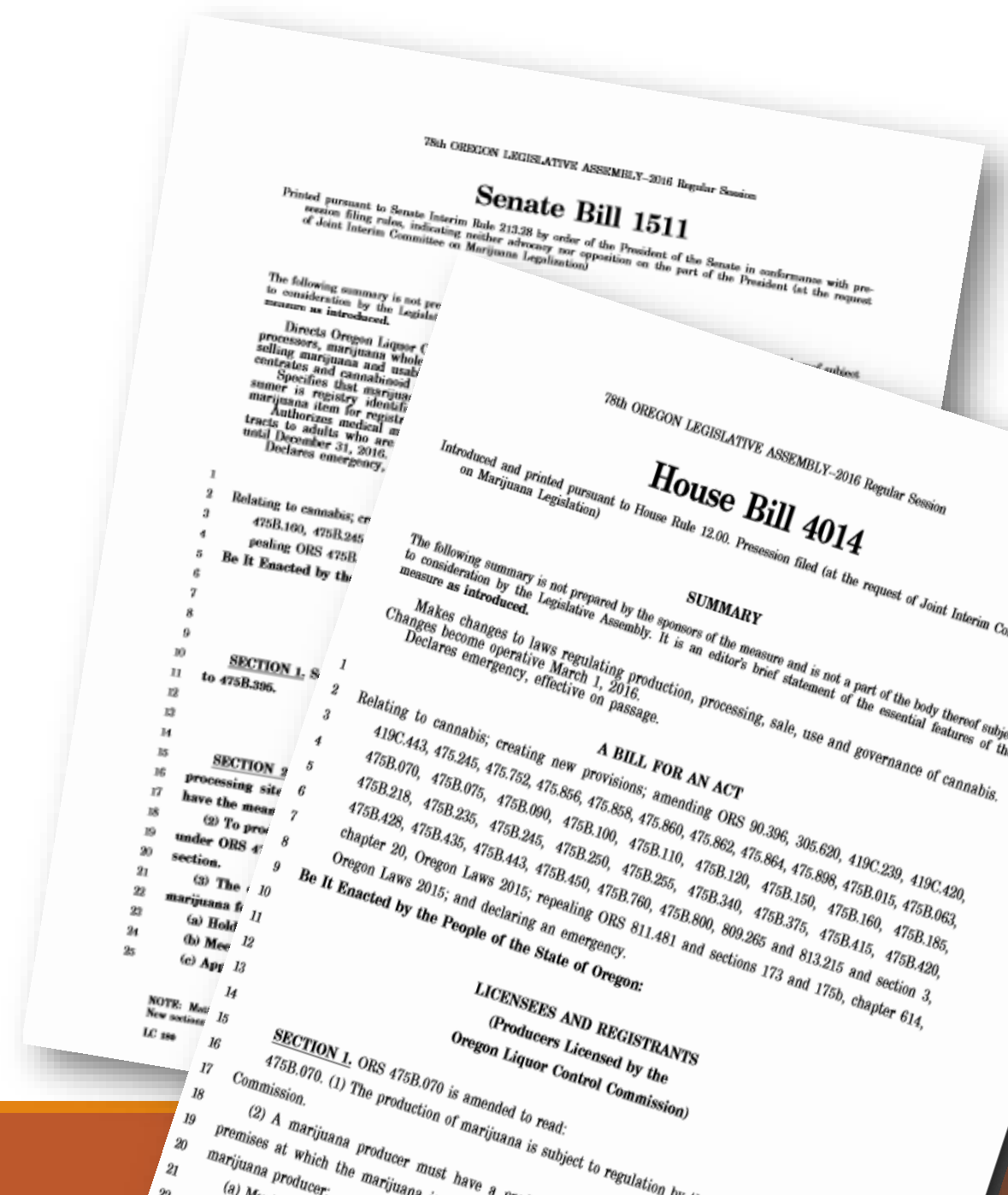
**Oregon Liquor Control Commission (OLCC):** recreational marijuana businesses and worker permits

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

**Oregon Department of Revenue (DOR):** tax collection

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

**Local jurisdictions:** law enforcement, governing bodies, code enforcement





# Recreational Marijuana

## License Types

**Producer :** grows marijuana

**Laboratory:** tests marijuana

**Processor:** creates recreational and medical-grade marijuana-infused products

**Wholesale:** buys and sells marijuana wholesale

**Retail:** sells recreational items to consumers over 21 and medical-grade items to cardholders

**Research Certificate:** can conduct research using marijuana

**Worker Permit:** employees of any marijuana business







# Marijuana Licenses & Permits

	Active Licenses	Applications ready to be processed and assigned	Surrendered	Cancelled
Laboratory	22	9	1	0
Processor	208	244	4	1
Producer	1113	891	58	6
Retailer	603	212	30	1
Wholesaler	143	134	6	0
Research	0	2	0	0
<b>License Total</b>	<b>2089</b>	<b>1492</b>	<b>99</b>	<b>8</b>

	Active and Approved Permits	Under Review
Worker Permits	58820	2444

Totals as of January 15, 2019

# OLCC Staffing Levels

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## Recreational Marijuana Positions within the OLCC

- 23 Regulatory Specialist
- 13 License Investigators
- 16 License Process Technicians Positions
- 7 Policy Analyst, Data Analyst and Communication Positions

59 Recreational Marijuana Positions Total

## Medical Marijuana Tracking Positions within the OLCC

- 16 Regulatory Specialist
- 7 Policy Analyst, Data Analyst, Management and Technician positions

23 Medical Marijuana Positions Total

# Local Regulation and Land Use



## Land Use Compatibility Statement (LUCS)

- 475B.063 requires Land Use Compatibility Statement from the city or county that authorizes the land use is allowable
- Commission will not issue a license if the Land Use Compatibility Statement shows that the proposed land use is prohibited
- All retail establishments need to be at least 1,000 feet from schools or 500 if geographic or physical barrier

## Local Regulation

- Time, Place & Manner – reasonable regulations on operations
- Requirements related to public access

## Water Law Compliance

- All licensees required to provide proof legal access to water (source)

## Energy usage

- Applicants estimate energy usage at initial application and provide actuals at recertification





# Cannabis Tracking System (CTS)

Statutory Requirement: directed OLCC to develop an inventory tracking system to ensure that taxes are collected and inventory does not migrate from or into the illegal market

- Supplements limited staffing resources by reporting on discrepancies and providing notice of potential tracking issues
- Designed to allow for more effective audits and satisfy federal guidelines
- Every plant is tracked via code from seedling to final sale to consumer
- Allows for product recalls when consumer safety issues are present



OREGON LIQUOR CONTROL COMMISSION  
CANNABIS TRANSPORTATION MANIFEST

MANIFEST # 0000000003 Date Completed 08/11/2018  
License # to Originating Entry 100-0001  
Name of Originating Entry OR CITY ESTABLISHMENT, LLC  
Address of Originating Entry 127 SE McLoughlin Blvd  
Portland, OR 97232-3355  
Phone # of Originating Entry

Phone # of OLCC Call with Questions: 800-555-4190

DESTINATION: Acala Stone CO  
Ship Number on Route 7  
Destination License Number 012-10252193  
MA Date and Approximate Time of Departure 8/11/18 10:31 AM  
Address of Destination 210 Oak Road  
SE Harbor, OR 97138  
Date and Approximate Time of Arrival 8/11/18 10:31 AM  
Notes: none

Item Description Item Label Weight/Quantity  
1.0000 g

PRODUCT REJECTION (If only a portion of shipment is rejected, clearly state portion rejected)  
Reason for Rejection: none  
Quantity of Rejected Product: none

1 container full of cannabis flower material. Weight records material shown. Also 1 small bag of cannabis flower material. These quantities shown were returned to the individual receiving the shipment.  
Quantity of Rejected Product: none  
Reason for Rejection: none  
Quantity of Rejected Product: none

Manifest to Person Transporting: John Smith  
Signature of Person Transporting: [Signature]  
Date: 8/11/18  
Manifest License Plate #: F001 F180 C13

Page 1 of 1  
MSB Form ver 04/2018

# Producers Grow limits



- **Outdoor:**

Micro Tier I – up to 2,500 sq. ft.;  
Tier I – up to 20,000 sq. ft.

Micro Tier II – up to 5,000 sq. ft.  
Tier II – up to 40,000 sq. ft.

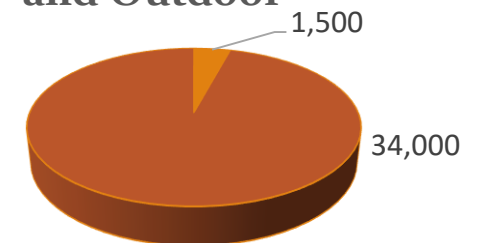
- **Indoor:**

Micro Tier I – up to 625 sq. ft.  
Tier I – up to 5,000 sq. ft.

Micro Tier II – up to 1,250 sq. ft.  
Tier II - up to 10,000 sq. ft.

- **Mixed Production:** uses a 4:1 ratio

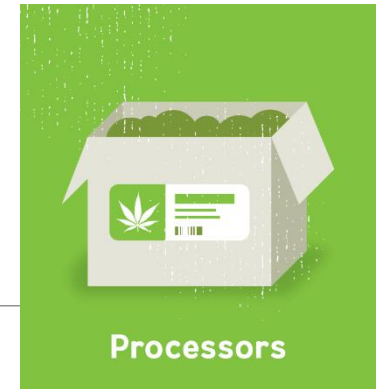
**Mixed Tier II with Indoor  
and Outdoor**



# Processors

## Prohibitions

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### Processors **cannot:**

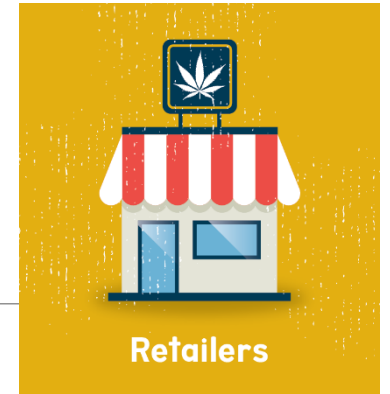
- Make products that appeal to minors: items of certain shapes, colors, flavors or non-cannabis products primarily consumed by and marketed to children
- Make “look alike” products: a cannabis-infused chocolate bar is ok, but a cannabis-infused snickers bar is not
- Make products using Dimethyl sulfoxide (DMSO)
- Infuse products with certain additives: caffeine and nicotine are most common
- Make edibles in a non-ODA certified kitchen, or share kitchen space with a non-licensed edible processor
- Operate in the same space as a restaurant



# Retailers

## Privileges

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Only license type that can sell to the public

All products sold must be tested by OLCC licensed and OHA accredited laboratory

Within a 24-hour period, may only sell to an individual customer up to:

- 1 oz. of usable marijuana (flower, leaves);
- 8 oz. of usable marijuana to an OMMP patient or caregiver, not to exceed 32 ounces in a month
- 16 oz. of solid cannabinoid product (brownies, ice cream);
- 72 oz. of liquid cannabinoid product (soda);
- 5 grams of extract or concentrate (prefilled vape pens, dabs);
- 4 immature plants; and
- 10 marijuana seeds

# Testing Laboratories

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Must be accredited by OHA's accreditation body and be licensed by OLCC

- Required for both medical and recreational testing labs
- OHA sets all testing requirements and standards, OLCC requires all licensed businesses to follow them

May perform all required tests, or may specialize

Must be licensed and certified to obtain samples

Responsible for entering test results into seed-to-sale tracking system (which locks failed products from moving forward in the supply chain)

*Going Forward:* Continue coordination with OHA, consistent testing methodologies, consistent reporting requirements and lab audits



# Security

## General requirements for all licenses

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### Video recording cameras:

- 24/7 high quality, non-light dependent recording of all areas where marijuana items are present
- 90 day onsite retention of video recordings
- 30 day offsite backup video for surveillance area (so that tampering with surveillance equipment is detected)

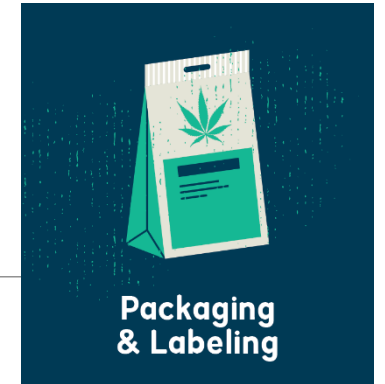
Armed **alarm system** any time the premises is closed

**Panic buttons** or the equivalent to call for emergency services

Marijuana items stored in **locked/secure** locations at all times



# Packaging, Labeling and Advertising



## Advertising restrictions – advertisements cannot:

- Be attractive to minors: images of minors, cartoon characters, toys or items that are typically marketed to those under 21
- Promote excess use: displaying consumption, encourages use because of intoxicating effects, or encourages excessive or rapid consumption
- Promotes illegal activity: such as transporting over state lines
- Contain deceptive, false or misleading statements

## Packaging Requirements- Package cannot be attractive to minors

- No cartoons
- No consumer products, symbols, or celebrities typically marketed towards minors
- Child-Resistant Resealable Package OR Exit Package at point of sale
  - Child resistance is defined by 16 CFR 1700
  - Type of packaging will vary based on marijuana item
- All labels must have Universal symbol and contain all information for the specific product type required by rule



# Patient Access



- OLCC producers can apply to grow additional canopy area for OMMP patients
- OLCC processors can apply to process directly for patients
- OLCC retailers can apply to sell Medical Grade items at their establishment
- OLCC retailers may apply for approval to deliver outside of their jurisdiction (including opt-out areas) for OMMP patients only (No recreational delivery is allowed out of jurisdiction)
- OMMP cardholders do not pay point of sale tax on purchases





# OLCC responsibilities in OMMP

OMMP processors, dispensaries and grow sites that meet certain criteria (ex. grow for more than 2 patients) track inventory and transfers in CTS

OLCC may perform inspections, the Oregon Health Authority (OHA) remains the agency responsible for enforcement and regulatory actions related to discovered violations.

OLCC and OHA work together to achieve compliance with regulatory requirements through transparency, education, and thorough investigation.

## Current registrants who meet tracking criteria:

- 865 grow sites
- 5 dispensaries
- 3 processors

## Current inspections are based on:

- CTS data abnormalities, or general lack of data entry
- Community complaints
- Proactive inspections



# OLCC Recreational Marijuana Compliance Inspections and Outcomes



OLCC utilizes a three-legged stool approach to compliance:

▲ CTS tracking data ▲ Security cameras ▲ On-site inspections

## Inspection Types:

- Minor Decoy Operations (retailers)
- Compliance investigations (all licensees)
- Alteration inspections (all licensees)
- Pre-license inspections (all licensees)
- Harvest inspections (producers)

## Common violations:

- CTS Violations
  - Example: failing to enter data into CTS
- Failure to Maintain Security Recordings
  - Example: failing to maintain 90 days of recordings
- Use of license other than as the license permits
  - Example: transferring product to an unlicensed location



# CTS Automated Warnings

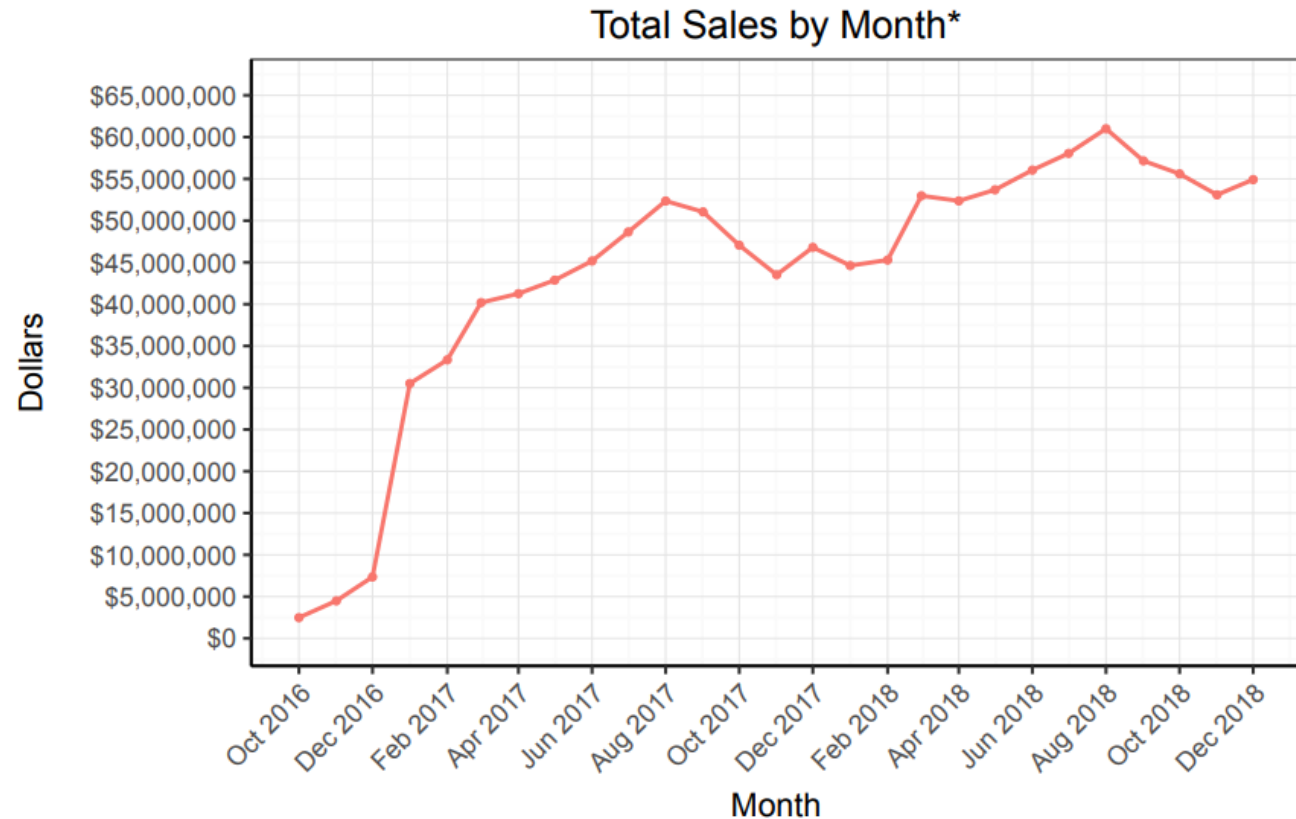
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- OLCC sends out daily (informal) warnings on four potential violations:
  - Untested/Incompletely tested product sent to retail
  - Sales over daily limit
  - Sales over concentration limit
  - 45 day Harvest Lot Segregation
- OLCC has a staff of data analysts to help licensees resolve issues and educate them on how to avoid mistakes in the future
- Continuing violation patterns may lead to inspections and sanctions



# Recreational Marijuana – Market Trends

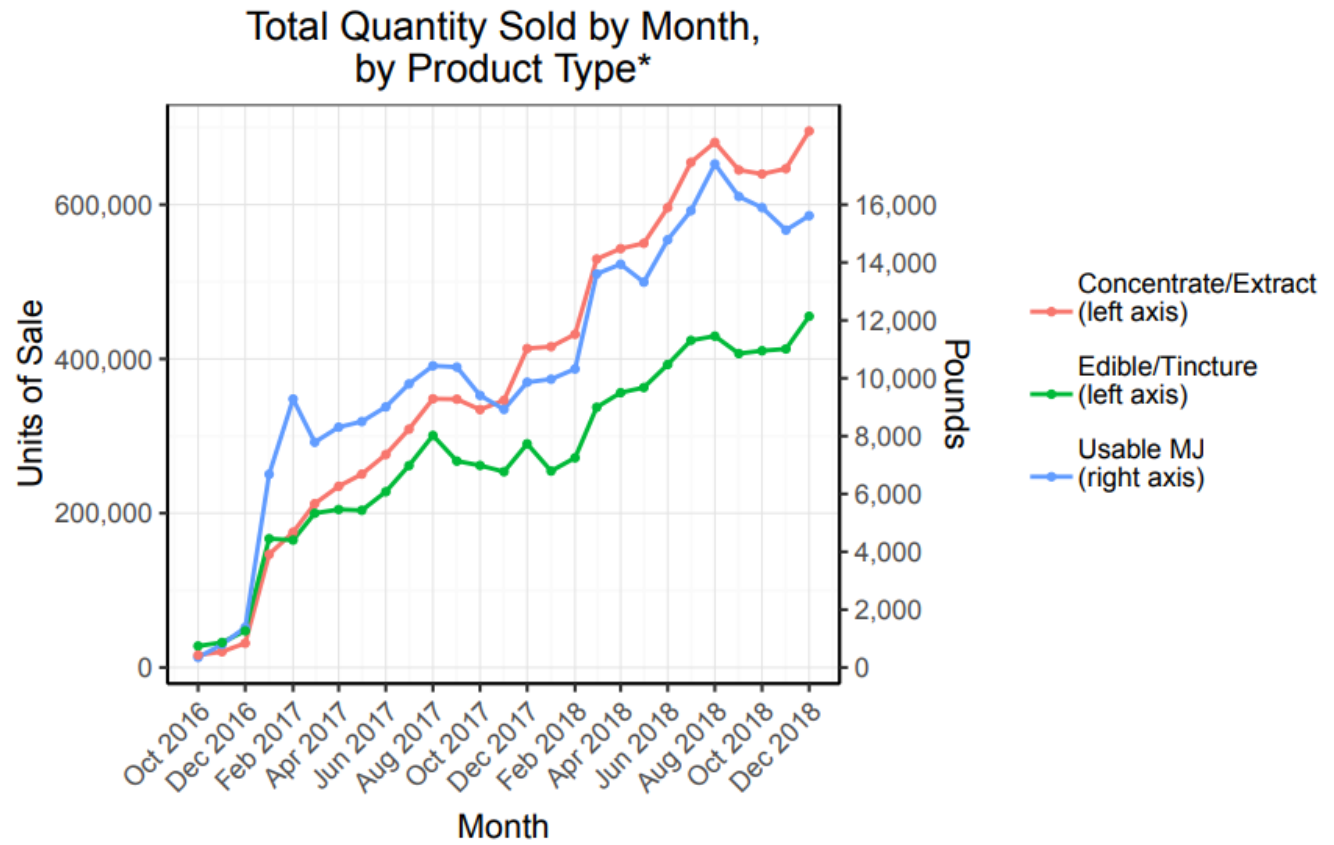
- Sales continue to rise year-over-year
- Consumer sales in July 2018 (approx. \$57.5 million) were 20% higher than July 2017
- During FY 2018, \$76 million in marijuana tax dollars collected for distribution to schools, cities and counties, state police, and other services





# Recreational Marijuana – Market Trends

- Quantities purchased by consumers continuing to rise month-over-month and year-over-year
- Signals strong demand within the legal, regulated adult-use market

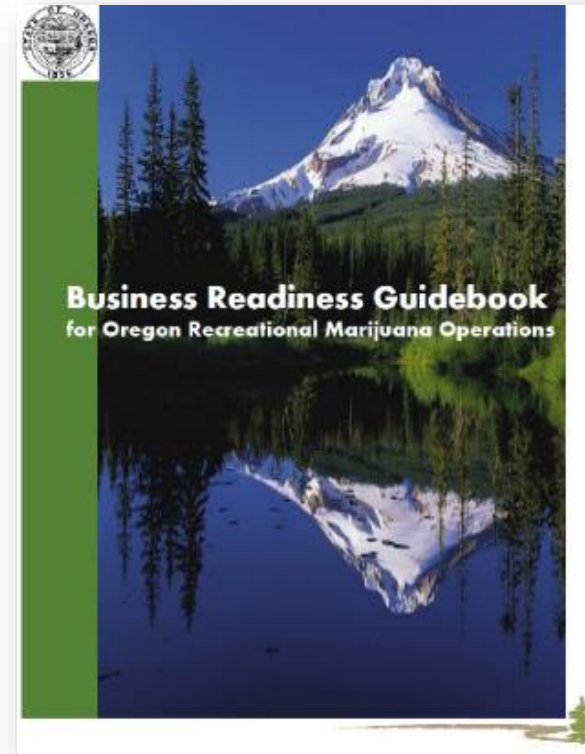


# Resources

## Business Readiness Guide

- Contains guidance on outside agencies, requirements
- Downloadable from OLCC website

[www.marijuana.oregon.gov](http://www.marijuana.oregon.gov)



## State Agencies Regulating Marijuana

- Infographic on “who does what” downloadable from OLCC website

[www.marijuana.oregon.gov](http://www.marijuana.oregon.gov)

**Marijuana in Oregon:**  
State resources by topic

Types of common questions and suggested state resources to refer to for information.

<b>HEALTH</b> <ul style="list-style-type: none"><li>• Product Testing</li><li>• Concentration Limits</li><li>• Labeling</li><li>• Youth Prevention</li></ul> Agency: Oregon Health Authority	<b>POSSESSION</b> <ul style="list-style-type: none"><li>• Packaging</li><li>• What's legal?</li><li>• Minor in Possession decoy operations</li></ul> Agency: Oregon Liquor Control Commission	<b>PUBLIC SAFETY</b> <ul style="list-style-type: none"><li>• Nuisance complaints</li><li>• DUI / field sobriety tests</li><li>• Enforcement of unlicensed locations</li></ul> Agency: Local law enforcement and Oregon State Police
<b>AGRICULTURE</b> <ul style="list-style-type: none"><li>• Pesticides</li><li>• Weights and measures</li><li>• Food safety</li></ul> Agency: Oregon Department of Agriculture	<b>HAVE A QUESTION?</b> ?	<b>RECREATIONAL MARIJUANA</b> <ul style="list-style-type: none"><li>• Industry licensing</li><li>• Cannabis Tracking System</li><li>• Marijuana worker permits</li><li>• Enforcement of licensed locations</li></ul> Agency: Oregon Liquor Control Commission
<b>TAXATION</b> <ul style="list-style-type: none"><li>• Revenue forecasting and reporting</li><li>• Legal deductions</li><li>• Tax collection</li></ul> Agency: Oregon Department of Revenue	<b>MEDICAL MARIJUANA</b> <ul style="list-style-type: none"><li>• Medical Marijuana Processor Registration</li><li>• Medical Marijuana Dispensaries Registration</li><li>• Cannabis Tracking System</li><li>• Registered locations enforcement</li></ul> Agency: Oregon Health Authority	<b>MORE INFORMATION</b> <ul style="list-style-type: none"><li>• <a href="http://whistleblator.oregon.com">whistleblator.oregon.com</a></li><li>• <a href="http://marijuana.oregon.gov">marijuana.oregon.gov</a></li></ul>

**Oregon Liquor Control Commission:** Regulates the sale of recreational marijuana in Oregon. Works with local law enforcement and State Police to enforce the law.

**Oregon Health Authority:** Oversees the medical marijuana cardholder registry for patients and regulates medical marijuana dispensaries, processors and grow sites.

**Oregon Department of Agriculture:** Administers many programs that affect agriculture producers and processors. Programs could also affect cannabis production, processing, wholesale, and retail activities.

**Oregon Department of Revenue:** Administers Oregon tax laws and collects taxes for more than 20 programs, including the recreational marijuana program.



# OLCC'S MISSION

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

