



2017

# 2017 Legislative Session Summary



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Oregon Liquor Control Commission

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## EXECUTIVE SUMMARY

The 2017 legislative session resulted in significant changes to Oregon's alcohol and marijuana statutes. Of the bills considered by the legislature, 24 passed which have direct impact upon the agency.

Technical and policy changes were made to Oregon's alcohol laws in HB 2089, HB 2150, HB 2159, HB 2160, HB 2779, SB 677, and SB 1044 to remove barriers to electronic commerce, align state and federal definitions, grant additional privileges to licensees and agents, and improve agency operations.

Technical and policy changes were made to Oregon marijuana laws in HB 2198, SB 56, SB 302, SB 319, SB 863, SB 1015, and SB 1057 to redefine the authorities of both OLCC and OHA, privileges of OLCC licensees, OHA registrants, and medical card holders, and change criminal penalties. In addition, SB 303 changes penalties for minor possession of alcohol or marijuana, HB 2746 changes the labeling compliance dates for the bottle bill, and SB 754 increases the minimum age to 21 for purchasing tobacco.

HB 5019 allocated \$206.3 million, an additional \$16.4 million over current service levels (reduced to \$13.9 million in HB 5006), and 41 additional positions (37.82 FTE) to OLCC for agency operations and to implement changes to marijuana laws adopted in the 2017 session, provide for the licensing and enforcement of double the number of recreational marijuana applications, licenses, and renewals originally forecasted, and provide support for the agency's retail expansion initiative. Funding was allocated from the Marijuana Tax Fund to OLCC for the transition of OHA registrants into OLCC's Cannabis Tracking System and tracking of OMMP medical product. The agency is to return to the Emergency Board or the 2018 legislative session to request additional positions and limitations for enforcement once the number of OMMP registrants utilizing the tracking system is identified. Changes were made to the marijuana tax distribution formula and timing; distributions will occur quarterly rather than annually. Recreational marijuana fees were ratified and the 2015-17 agency budget limitation was increased by \$4 million due to an increase in forecasted distilled spirits sales.

The total alcohol budget for 2017-19 biennium is \$191.9 million and 234 positions. The total marijuana budget for 2017-19 biennium is \$14.3 million and 70 positions. The combined agency budget for the 2017-19 biennium is \$206,250,022 and 304 positions.

### **Alcohol Policy Legislation**

HB 2089	Vermouth Sales in Exclusive Stores
HB 2150	Electronic Privilege Tax
HB 2159	Cider Definition
HB 2160	Brew Pub Locations
HB 2779	Treasury Public Funds
SB 677	Cider Businesses
SB 1044	Alcohol Systems Clean Up

### **Recreational, Medical Marijuana, and Hemp Policy Legislation**

HB 2198	Medical Marijuana Governance
SB 56	Marijuana Systems Cleanup

SB 302	The Control and Regulation of Marijuana Act
SB 319	Siting of Marijuana Establishments near Schools
SB 863	Marijuana Consumer Privacy
SB 1015	Industrial Hemp Processing
SB 1057	Marijuana Tracking and Regulation

**Policy Legislation Applied to Both Alcohol and Marijuana**

SB 303	Minors in Possession of Alcohol or Marijuana
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**Bottle Bill Policy Legislation**

HB 2746	Compliance Dates for Labeling
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**Tobacco Policy Legislation**

SB 754	Increases Minimum Age for Purchasing
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**Budget and Tax Distribution Legislation**

HB 2197	Tribal Tax Rebates
HB 3470	Statutory Changes to support 2017-19 Legislative Adopted Budget (Marijuana Tax Distribution, Borrowing from Liquor Fund)
HB 5006	Emergency Board Allocation and 2017-19 Budget Adjustments
HB 5019	OLCC Budget 2017-19
SB 5508	Limitation Increase for 2015-17
SB 5529	Oregon Marijuana Account, Lottery, and Criminal Fine Allocations
SB 5545	Ratifies Marijuana Fees

**Alcohol Legislative Policy and Budget Direction**

**Alcohol Policy Direction**

Legislators adopted a number of bills modifying legislative direction for the implementation of OLCC’s alcohol program to remove barriers to electronic commerce, align state with federal definitions, grant additional privileges to licensees and agents, and make changes in statute to improve operations.

**Removing barriers to electronic commerce**

- Allows manufacturers or distributors of wine, cider or malt beverages to file electronically starting on July 1, 2019, required statements of the quantity of wine, cider and malt beverages produced, purchased or received and make payment of privilege taxes due on such activities.
- Makes changes to public funds law which will allow agents to transfer funds electronically.
- Eliminates the requirement for a licensee’s physical indorsement of a service permit application.

**Aligning state with federal definitions**

- Changes the state definition of cider to match the recently changed federal definition.

### Granting additional privileges to agents and licensees

- Allows exclusive liquor store agents and distillery agents to purchase and sell a limited number of vermouths as if they held an off-premises sales license.
- Allows brewpubs to hold and sell their products at two locations rather than one in addition to their site of manufacture.
- Amends the winery statute to allow the same entity to hold brewery, winery and f-com (full bar) licenses.
- Allows a distillery license to manufacture and sell items with a lower alcohol content than previously allowed under the law.

### Improving operations and statutory clean-up

- Allows OLCC to issue a restricted license, require mandatory training, or continue with an investigation to create a record of compliance for terminated licenses
- Allows the use of tribal ID for purchasing alcohol.
- Allows homebrewers to donate their product to charity auctions
- Provides retail distillery agents the same exceptions to public contracting laws as other OLCC appointed retail liquor agents.

### Alcohol Budget Direction

HB 5019 increased limitation to accommodate agent compensation and bank card fees associated with expected revenue growth from sales generated by retail expansion of liquor store locations and the existing \$0.50 per bottle surcharge. A permanent full-time district manager and a permanent full-time business analyst position was approved to support new stores associated with expansion efforts. The total alcohol budget for 2017-19 biennium is \$191.9 million and 234 positions.

### Alcohol Revenue Distribution

The estimated 2017-19 biennial net distribution of alcohol-related revenue to the state general fund and statutory designated entities is \$573.4 million.

### Estimated Biennial Distribution of Alcohol Revenues

	Biennium 2017-19
<b>Total (in millions)</b>	<b>\$573.4</b>
General Fund (includes surcharge)	\$326.1
City Distribution and Revenue Sharing	\$176.4
Counties	\$51.9
Addiction and Mental Health Services	\$19.0
Oregon Wine Board	TBD

## Marijuana Legislative Policy and Budget Direction

### Marijuana Policy Direction

Legislators adopted a number of bills modifying legislative direction for the implementation of OLCC's recreational and the Oregon Health Authority's medical marijuana programs. While much discussion centered on the possibility of shifting responsibilities for both programs to one agency, the bills kept the programs separate but shifted some responsibilities to OLCC, particularly the tracking of medical marijuana in the OHA system and labeling. The legislation added additional privileges for OLCC licensees and placed new requirements on the OHA program registrants. OLCC's sanctioning authority over OLCC licensees was also increased.

#### **Legislative impact on OLCC licensees**

- Allows transfer of marijuana between OLCC retailers if they are owned by the same persons.
- Increases sanctioning authority for OLCC including mandatory education; allows OLCC to proceed with the investigation if a licensee forfeits their license and allows OLCC to immediately suspend licensee for diversion.
- Prohibits retailer from retaining customer information unless the customer voluntarily offers their contact information for marketing purposes or if it is needed for delivery.
- Allows industrial hemp to be sold to an OLCC licensed processor. The hemp must be tested, tracked in OLCC's Cannabis Tracking System, and the finished product can only be sold to OLCC licensees.
- Allows OLCC Micro Tier 1 and Micro Tier II producers to process marijuana into cannabinoid concentrates under limited conditions.
- Allows OLCC licensees to designate themselves as an exclusive medical licensee.
- Allows OLCC producers an additional 10% of grow canopy to produce marijuana for medical use; requires 75% of extra canopy to be donated free to cardholders, 25% can be sold to OLCC licensees.
- Allows licensees to transport and exhibit marijuana items at trade shows and similar events.
- Recognizes tribal ID to verify age.

#### **Legislative impact on OHA registrants**

- Requires marijuana produced and transferred within the OMMP system to be tracked by the OLCC's Cannabis Tracking System (CTS).
  - o Applies to OMMP growers with 13 or more plants, OMMP processors and medical dispensaries.
  - o OLCC will monitor the CTS for compliance and share the results of investigations to OHA for enforcement.
  - o Requires OHA to impose fees to cover cost of tracking, then reimburse money to OLCC.
  - o OLCC's costs for monitoring the CTS and investigations will be covered by marijuana tax proceeds.
- Allows an OHA marijuana grow site with more than 12 plants to transfer up to 20 pounds a year to an OLCC processor or wholesaler if it is tracked in CTS. The Commission can reduce this amount if it determines there is an excess supply.
- Directs OHA to electronically share cardholder, grower, processor, and dispensary nonmedical information with OLCC.

- Creates an Oregon Cannabis Commission within OHA to determine a possible framework for the future governance of the Oregon Medical Marijuana Program.

#### **Other Legislative impacts**

- Requires OLCC and OHA to maintain a telephone line to inform a person designated by a city, county, the Water Resources Department, or a district Watermaster if an address or premises is an OLCC-licensed or OHA-registered marijuana establishment.

#### **Marijuana Budget Direction**

HB 5019 provides for an estimated ending balance of three months and anticipates marijuana and licensing fee revenue to sustain marijuana regulatory activities with the exception of the implementation and oversight of the OHA medical tracking required in SB 1057 that will be funded by marijuana tax revenue. An estimated 1,974 active licenses and 29,000 worker permits are assumed by the end of the 2017-19 biennium. Growth in the number of applications and renewals for licensure, the passage of SB 1057, and the added responsibility to regulate the labeling of marijuana products are key drivers for increases in the marijuana budget. Enforcement personnel are expected to be added as more is known about the number of medical growers electing to remain under the Oregon Health Authority jurisdiction or choosing to migrate to OLCC licensure. The total marijuana budget for 2017-19 is \$14.3 million and 70 positions.

#### **Marijuana Tax Revenue Distribution**

The revenue forecast for the Oregon Marijuana Account for the 2017-19 biennium totals \$202.5 million. This amount is equal to the amount in the revenue forecast from the DAS Office of Economic Analysis as of May 2017, adjusted for the Oregon Marijuana revenue impact of SB 1057 (OHA marijuana tracking and regulation). Approximately \$60 million of the total distribution can be attributed to the 2015-17 carry forward of taxes collected but not yet distributed.

- Directs the distribution of revenue from tax on marijuana items from annual distributions to quarterly.
- Gives OLCC the responsibility to determine and report quarterly to the Department of Revenue on the opt-in status of each city and county as well as the number of each type of license and maximum commercial canopy size for each license type in each city and county.
- Cities and counties who do not certify their opt-in status for the quarter are not eligible for tax distribution that quarter.
- Allows the Department of Revenue to make rebate payments on the tax imposed in retail establishments outside of reservations on marijuana items produced or processed on tribal trust land. Must be licensed by the governing body of a federally recognized Indian tribe. The tribe and Governor must have already entered into a legal compact regarding marijuana regulation.

## Distribution of Marijuana Tax Revenues

	Share	Biennium 2017-19
<b>Total including 2015-17 carry forward (in millions)</b>	<b>100%</b>	<b>\$202.5</b>
Cities	10%	\$20.3
Counties	10%	\$20.3
State School Fund	40%	\$81.0
Mental Health, Alcoholism and Drug Services	5%	\$10.0
State Police	15%	\$30.4

## Other Legislative Changes Impacting OLCC's Operations

- Increases OLCC commissioners from five to seven.
  - o Five commissioners represent each of the congressional districts, one represents eastern Oregon and the other western Oregon.
  - o One of the commissioners must be from the food and alcoholic beverage retail industry.
  - o Not more than four commissioners may be of the same political party.
- Changes compliance dates for proper labeling for items subject to the bottle bill
  - o Bottles and cans currently subject to the bottle bill redeemed after April 1, 2017, must receive a ten cent refund regardless of what is on the label. These items must be properly labeled by September 30, 2017.
  - o New items subject to the bottle bill on January 1, 2018, must receive a ten cent refund regardless of what is on the label. These items must be properly labeled by December 31, 2018.
- Increases minimum age to purchase tobacco and nicotine products to 21 years old.
  - o Establishes fines for individuals or businesses that distribute or sell tobacco-related products or inhalant delivery systems to persons under 21 years old.
  - o Modifies definition of cigarettes to include inhalant devices and products not approved by the United States Food and Drug Administration.
  - o Increases proof of age requirement from individuals who appear to be 27 years of age to those who appear to be 30.

## Legislative Impact on Criminal Penalties for Alcohol and Marijuana

- Reduces marijuana penalties related to possession less than four times the legal limit and increases criminal penalties for possession greater than 16 times the legal limit.
- Creates a non-Measure 11 crime for persons committing arson while manufacturing cannabinoid extracts.
- Creates consistent prohibitions, procedures and penalties for a minor possessing, purchasing or acquiring either alcoholic beverages or marijuana items.
- Makes it a Class B violation for a minor to possess either alcoholic beverages or marijuana items and a Class A violation for any minor found in possession of either alcoholic beverages or marijuana items while operating a vehicle.

## ALCOHOL POLICY LEGISLATION

### HB 2089 Vermouth Sales in Exclusive Stores

*Effective Jan. 1, 2018; Chapter 31, (2017 Laws)*

Chief Sponsors: Reps. Lininger, Gomberg, Smith G.

Committees: House Economic Development and Trade, Senate Business and Transportation

House Interim Committee on Business and Transportation

House vote: Ayes-58, Nays-0, Excused-2

Senate vote: Ayes-29, Nays-0, Excused-1

Allows exclusive liquor agents and distillery agents to purchase and sell a limited number of vermouths as if they held an off-premises sales license. This allows an agent or distillery agent to acquire vermouth from a licensed wholesaler or winery and sell those products to consumers only, not to bars and restaurants. This allows for greater flexibility in offering a range of products to consumers, including craft specialty products and rare imported items.

### HB 2150 Electronic Privilege Tax

*Effective 90 days after Sine Die; Chapter 382, (2017 Laws)*

At the request of: House Special Committee on Small Business Growth

Committees: House Economic Development and Trade, House Revenue, Senate Finance and Revenue

House vote: Ayes-52, Nays-0, Excused-0

Senate vote: Ayes-30, Nays-0, Excused-0

Allows manufacturers and distributors of wine, cider and malt beverages to file statements of quantities produced, purchased, or received, and to pay their privilege taxes electronically beginning on July 1, 2019.

### HB 2159 Cider Definition

*Effective Jan. 1, 2018; Chapter 202, (2017 Laws)*

At the request of: House Special Committee on Small Business Growth

Committees: House Economic Development and Trade, House Revenue, Senate Business and Transportation

House vote: Ayes-59, Nays-0, Excused-1

Senate vote: Ayes-27, Nays-3, Excused-0

Changes the state definition of cider from “not more than 7%” by volume to “not more than 8.5%”. This change was made to match the recently changed federal definition of cider, allowing cider producers to make one set of calculations when completing federal and Oregon tax filings.

Amends statute to clarify that winery licensees that produce only cider are exempt from requirements to possess a valid producer and blender basic permit, wine blender permit, or wholesaler basic permit issued by the federal Alcohol and Tobacco Tax and Trade Bureau.

### HB 2160 Brew Pub Locations

*Effective Jan. 1, 2018; Chapter 34, (2017 Laws)*

At the Request of: House Special Committee on Small Business Growth

Committees: House Economic Development and Trade, Senate Business and Transportation

House vote: Ayes-59, Nays-0, Excused-1

Senate vote: Ayes-29, Nays-0, Excused-1

The brewery-public house license permits the holder to manufacture and sell malt beverages, including the products manufactured by the licensee, as well as sell wine and cider for consumption on or off premises, at the location of manufacture plus one other location. HB 2160 allows the brewpub to hold and sell their products at two locations in addition to their site of manufacture.

### HB 2779 Treasury Public Funds

*Effective June 29, 2017; Chapter 500, (2017 Laws)*

At the Request of: State Treasurer Tobias Reed

Committees: House Revenue, Senate Finance and Revenue

House vote: Ayes-58, Nays-0, Excused-2

Senate vote: Ayes-30, Nays-0, Excused-0

Sets conditions under which a person or agent collecting moneys for state agencies may take more than one business day to transmit moneys to the State Treasurer.

### SB 677 Cider Businesses

*Effective Jan. 1, 2018; Chapter 253 (2017 Laws)*

Chief Sponsors: Sen. Olsen, Johnson, Thomsen; Rep. Post

Committees: Senate Environment and Natural Resources, House Economic Development and Trade

House vote: Ayes-54, Nays-0, Excused-6

Senate vote: Ayes-29, Nays-0, Excused-1

Establishes a cider business as a permitted use on land zoned for exclusive farm use or mixed farm and forest use provided the cider business meets specified criteria related to cider production and sources of apples or pears. Restricts gross income of cider businesses from the sale of incidental items or services to no more than 25 percent of gross income from on-site sale of cider produced by the cider business. Allows a cider business to hold agritourist or other commercial events for up to 18 days per calendar year with certain restrictions.

### SB 1044 Alcohol Systems Cleanup

*Effective June 29, 2017; Chapter 533, (2017 Laws)*

At the request of: Oregon Liquor Control Commission

Chief Sponsor: Senator Beyer

Committees: Senate Business and Transportation, House Economic Development and Trade

House vote: Ayes-51, Nays-0, Excused-9

Senate vote: Ayes-28, Nays-0, Excused-2

The Senate Business and Transportation and House Economic Development and Trade committees utilized this bill to make several policy changes in alcohol statute.

- Exempts money from the retail sale of distilled liquor held by appointed agents from laws governing public moneys held by financial institutions if the agent has deposited a specified amount with the OLCC. Allows liquor agents to transfers funds electronically thus removing a barrier to retail expansion.
- Exempts the sale of distilled liquor and OLCC appointment of distillery agents for public contracting laws, providing retail distillery agents the same exceptions to public contracting laws as other OLCC appointed retail liquor agents.
- Eliminates the requirement for a licensee to indorse a service permit application removing a barrier to implementing online service permit applications and payment. Allows the Commission to charge up to \$50 for the service permit which is valid for five years.
- Allows OLCC to create a record of compliance for terminated licenses. Specifies that the lapse, suspension or revocation of a certificate, license, permit or other form of authorization issued by the OLCC related to alcoholic beverages does not affect OLCC's authority to investigate, initiate disciplinary proceedings or modify suspension or revocation of such certificate, license or permit. Allows OLCC to issue restricted license or require mandatory training.
- Allows the use of tribal ID for purchasing alcohol.
- Amends the winery statute to allow the same entity to hold brewery, winery and f-com (full bar) licenses.
- Allows a distillery license to manufacture and sell items with a lower alcohol content than currently allowed under the law
- Allows homebrewers to donate their product to charity auctions

## RECREATIONAL, MEDICAL, AND HEMP POLICY LEGISLATION

### HB 2198 Medical Marijuana Governance

*Effective August 2, 2017; Chapter 613, (2017 Laws)*

At the request of: Joint Interim Committee on Marijuana Legalization

Committees: Joint Committee on Marijuana Regulation, Joint Ways and Means

House vote: Ayes-48, Nays-11, Excused-1      Senate vote: Ayes-18, Nays-12, Excused-0

This bill makes a series of changes to the Oregon Medical Marijuana act and makes statute changes that impact of the operations of the Oregon Health Authority as well as the OLCC.

- Establishes a nine member Oregon Cannabis Commission (OCC) within the Oregon Health Authority. Members include the public health officer or designee and eight members appointed by the Governor: registry cardholder, person designated to produce marijuana on behalf of a cardholder, attending physician, representative of OHA, representative of OLCC, local health officer, law enforcement officer, and a person knowledgeable about research proposal grant protocols. Duties of the Commission include oversight and regulation of registry cardholders, designated primary

caregivers, attending physicians, OHA marijuana grow sites, OHA marijuana processing sites and OHA medical marijuana dispensaries. The Commission is tasked with identifying necessary amendments to statute, barriers to research, and determining a possible framework for the future governance of the Oregon Medical Marijuana Program. The Commission shall submit a report to the Legislative Assembly related to health and judiciary on or before December 15, 2017, regarding the future of the Oregon Medical Marijuana Program and its governance framework.

- Allows an OHA marijuana grow site with more than 12 plants to transfer up to 20 pounds of marijuana a year to an OLCC processor or wholesaler if it is tracked within the OLCC's Cannabis Tracking System. Allows OLCC to limit the sale of OHA marijuana into the OLCC system if there is an excess of supply.
- Limits the number of mature marijuana plants allowed an address not registered as an OMMP grow site to six per cardholder, not to exceed 12 total and up to 10 if there is one cardholder and at least one more person above the age of 21 at the address. Limits the number of immature marijuana plants that are at least 24 inches tall, to two for every one mature marijuana plant (*Amends SB 1057*)
- Prohibits both OHA and OLCC from requiring a security system for an OHA marijuana grow site.
- Directs OHA to register a grow site if they are provided specified information including a tax lot number, GPS coordinates, assessor's map or latitude/longitude coordinates. Eliminates the requirement for a physical address.
- Allows a city or county that has enacted an ordinance prohibiting or allowing OMMP medical marijuana establishments to amend the ordinance without referendum (*Amends SB 56*).
- Allows marijuana retailers to locate up to 500 feet from a school if OLCC determines there is a physical or geographic barrier preventing access to minors. (*Amends SB 319*).
- Allows transfer of marijuana between OLCC retailers if they are substantially owned by the same persons.
- Provides OLCC with additional sanctioning authority to restrict licenses or require mandatory training. (*Amends SB 56*).

### SB 56 Marijuana Systems Cleanup

*Effective June 23, 2017; Chapter 476, (2017 Laws)*

At the request of: Governor Brown for Oregon Liquor Control Commission

Committees: Joint Committee on Marijuana Regulation

House vote: Ayes-45, Nays-14, Excused-1

Senate vote: Ayes-22, Nays-8, Excused-0

The Joint Committee on Marijuana Regulation utilized this placeholder bill to make changes to SB 863 and SB 1057 adopted earlier in the session and to reflect additional policy changes in statute.

- Allows city or county that has enacted an ordinance prohibiting or allowing medical marijuana establishments to amend the ordinance to prohibit or allow exclusively medical licensees without referring the amendment to electors (*Amended by HB 2198 to clarify that this exemption applies to medical licenses*).
- Allows OLCC Micro Tier 1 and Micro Tier II producers to process marijuana into cannabinoid concentrates, under limited conditions.

- Requires OLCC and OHA to maintain a telephone line for informing a person designated by a city, county, the Water Resources Department, or a district Watermaster to determine if an address or premises is an OLCC-licensed or OHA-registered marijuana establishment.
- Allows retention of customer information as necessary to make deliveries *(Amends SB 863)*.
- Exempts OHA registered growers who are applicants for OLCC producer licenses by the effective date of this measure from immature plant limits *(Amends SB 1057)*.
- Allows transfer of marijuana between dispensaries owned or substantially owned by the same persons.
- Finds and declares unregulated commerce of marijuana items is a serious danger to public health and safety. Allows OLCC to immediately restrict, suspend or refuse to renew a license if circumstances create probable cause for the Commission to conclude that a licensee has purchased or received a marijuana item from an unlicensed source or that the licensee has sold, stored, or transferred a marijuana item in a manner that is not permitted by the licensee's license. *(Amended by HB 2198 to clarify language)*.

### SB 302 The Control and Regulation of Marijuana Act

*Effective April 21, 2017; Chapter 021, (2017 Laws)*

At the request of: Joint Interim Committee on Marijuana Legalization

Committees: Joint Committee on Marijuana Regulation

Moves crimes, penalties, and defenses to crimes and procedural provisions that apply to marijuana offenses from the Uniform Controlled Substances Act to the Control and Regulation of Marijuana Act. Reduces penalties related to possession less than four times the legal limit and increases criminal penalties for possession greater than 16 times the legal limit. Creates a non-Measure 11 crime for persons committing arson while manufacturing cannabinoid extracts. Repeals additional criminal penalties for the possession, manufacture or sale of marijuana within 1,000 feet of a school. Clarifies which statutes referencing controlled substances are applicable to cannabis and cannabis-derived products.

### SB 319 Siting of Marijuana Establishments near Schools

*Effective March 20, 2017; Chapter 007, (2017 Laws)*

Chief Sponsors: Sen. Prozanski

Committees: Joint Committee on Marijuana Regulation

House vote: Ayes-54, Nays-4, Excused-2

Senate vote: Ayes-28, Nays-0, Excused-2

Requires medical dispensaries and recreational marijuana retail locations to be at least 1,000 feet from a school but authorizes cities and counties to pass ordinances allowing the placement of marijuana dispensaries and retailers between 500 and 1,000 feet if there is a major physical or geographic barrier separating the two facilities. *(Amended by HB 2198 to allow OLCC to make the final determination of distance from a school)*.

### SB 863 Marijuana Consumer Privacy

*Effective April 17, 2017; Chapter 018, (2017 Laws)*

Chief Sponsors: Sen. Prozanski; Rep. Lininger

Regular Sponsors: Sen. Beyer, Burdick, Ferrioli, Kruse; Rep. Fahey, Helm, Olson, Wilson

Committees: Joint Committee on Marijuana Regulation

House vote: Ayes-53, Nays-5, Excused-2      Senate vote: Ayes-21, Nays-6, Excused-3

Prohibits marijuana retailer from recording, retaining or transferring consumer information that can be used to identify a customer. Provides an exception for customers that voluntarily offer their name and contact information for marketing purposes. Requires the retailer to destroy any consumer information in their possession within 30 days of the effective date of this bill. *(Amended by SB 56 to allow retention of consumer information for deliveries).*

### SB 1015 Industrial Hemp Processing

*Effective October 6, 2017; Chapter 531, (2017 Laws)*

Chief Sponsors: Sen. Ferrioli; Rep. Wilson

Regular Sponsor: Rep. Fahey

Committees: Joint Committee on Marijuana Regulation

House vote: Ayes-45, Nays-0, Excused-15      Senate vote: Ayes-6, Nays-3, Excused-1

Allows tested industrial hemp to be sold by a grower or handler to an OLCC licensed marijuana producer to be made into industrial hemp concentrates and extracts. The grower or handler must be registered by the OLCC. The product must be tracked in the OLCC Cannabis Tracking System. The products may only be sold to OLCC licensees.

### SB 1057 Marijuana Tracking and Regulation

*Effective May 30, 2017; Chapter 183, (2017 Laws)*

At the request of: Sens. Burdick and Ferrioli

Regular Sponsor: Senate Rules

Committees: Joint Committee on Marijuana Regulation

House vote: Ayes-39, Nays-21, Excused-0      Senate vote: Ayes-20, Nays-8, Excused-2

Changes the name of ORS 475B.010 to 475.395 from the Control and Regulation of Marijuana Act to the Adult and Medical Use of Cannabis Act. Makes significant changes to OLCC's recreational marijuana and OHA's medical marijuana programs.

#### **Changes to OLCC's recreational marijuana program:**

- Increases OLCC commissioners from five to seven. Five commissioners represent each of the congressional districts, one represents eastern Oregon and the other western Oregon. One of the commissioners must be from the food and alcoholic beverage retail industry. Not more than four commissioners may be of the same political party.
- Allows OLCC licensees to designate themselves as an exclusive medical license.

- Allows OLCC licensed producers an additional 10% of grow canopy to produce marijuana for medical cardholders. Requires marijuana producers who utilize this additional square footage to donate for free 75% of the product from the extra canopy, and allows the remaining 25% to sold to OLCC licensees.
- Allows licensee to transport and exhibit marijuana items to a trade show, the Oregon State Fair or a similar event.
- Recognizes tribal ID as an allowable document to verify age when purchasing marijuana.
- Gives OLCC additional authority to prevent the illegal transfer or diversion of marijuana from OLCC licensees including proceeding with the investigation if a licensee forfeits their license.

**Changes to OHA’s medical marijuana program:**

- Requires propagation, production, processing and transfer of marijuana and marijuana derived products by OHA marijuana grow sites, marijuana processing sites and medical marijuana dispensaries to be tracked by the OLCC tracking system. OLCC will administer the tracking and perform inspections of OMMP growers related to information identified through the tracking system. Violations will be reported to OHA for enforcement. Requires OHA to impose fees to pay for the cost of tracking and submit those funds to OLCC. OLCC’s costs for oversight and enforcement of OHA tracking are funded from the Oregon Marijuana Account.
- Directs OHA to share OMMP registrant information with OLCC and the Department of Revenue. Specifies information in database that is not eligible for public disclosure.
- Transfers labeling rulemaking authority from OHA to OLCC.
- Clarifies that an OMMP cardholder may jointly possess six medical marijuana plants under OMMP in addition to four marijuana plants allowed under Measure 91. Limits the allowable number of immature marijuana plants in possession of an OMMP cardholder to 12 unless their address is a registered medical marijuana grow site (*Amended by HB 2198 to define immature plants and allowable plant numbers in a household*).
- Limits the allowed number of immature medical marijuana plants at registered medical marijuana grow sites to twice the number of allowed mature marijuana plants. (*Amended by SB 56 to exempt OMMP growers who have applied for an OLCC producer license by the effective date of SB 56*).

**Other changes:**

- Allows the State Department of Agriculture to possess, test and dispose of marijuana.
- Makes technical changes to marijuana statutes.

## POLICY LEGISLATION APPLIED TO BOTH ALCOHOL AND MARIJUANA

### SB 303 Penalties for Minor Possession of Alcohol or Marijuana

*Effective April 21, 2017; Chapter 020, (2017 Laws)*

At the Request of: Joint Interim Committee on Marijuana Legalization

Committees: Senate Judiciary, Joint Committee on Marijuana Regulation

House vote: Ayes-55, Nays-5, Excused-0

Senate vote: Ayes-23, Nays-6, Excused-1

Creates consistent prohibitions, procedures and penalties for a minor possessing, purchasing or acquiring either alcoholic beverages or marijuana items. Defines procedures for persons undergoing assessment and treatment related to marijuana use. Makes it a Class B violation for a minor to possess either alcoholic beverages or marijuana items. Makes it a Class A violation for any minor found in possession of either alcoholic beverages or marijuana items while operating a vehicle.

## BOTTLE BILL POLICY LEGISLATION

### HB 2746 Compliance Dates for Labeling

*Effective March 28, 2017; Chapter 8, (2017 Laws)*

Chief Sponsors: Rep. Lininger

Regular Sponsors: Reps. Clem, Holvey, Johnson, Sollman; Sen. Olsen

Committees: House Energy and Environment, Senate Environment and Natural Resources

House vote: Ayes-55, Nays-2, Excused-2          Senate vote: Ayes-23, Nays-4, Excused-3

Under prior statute, items subject to the bottle bill needed to be properly labeled or subject to a fine. The five cent deposit on bottles raised to ten cents on April 1, 2017, and new items will be added as required by the bottle bill on January 1, 2018. HB 2746 specifies how containers that are not yet labeled with the higher value or new products with no redemption value on the label will be handled during the transition, creating a window for compliance to give manufacturers and retailers time to orderly transition products on and off their shelves. Bottles and cans currently subject to the bottle bill redeemed after April 1, 2017, must receive a ten cent refund regardless of what is on the label. These items must be properly labeled by September 30, 2017. New items subject to the bottle bill on January 1, 2018, must receive a ten cent refund regardless of what is on the label. These items must be properly labeled by December 31, 2018.

## TOBACCO POLICY LEGISLATION

### SB 754 Increases Minimum Age to Purchase Tobacco

*Effective August 9, 2017; Chapter 701, (2017 Laws)*

Chief Sponsors: Sen. Steiner Hayward, Manning Jr.; Rep. Keny-Guyer, Vial

Committees: Senate Health Care, House Health Care

House vote: Ayes-39, Nays-20, Excused-1          Senate vote: Ayes-19, Nays-8, Excused-3

Increases minimum age to purchase tobacco and nicotine products to 21 years old. Establishes fines for individuals or businesses that distribute or sell tobacco-related products or inhalant delivery systems to persons under 21 years old. Modifies definition of cigarettes to include inhalant devices and products not approved by the United States Food and Drug Administration. Increases the proof of age requirement for individuals who appear to be 27 years of age to 30.

## BUDGET AND TAX DISTRIBUTION LEGISLATION

### HB 2197 Tribal Tax Rebates

*Effective 90 days after Sine Die; Chapter 495, (2017 Laws)*

At the request of: Joint Interim Committee on Marijuana Legalization

Committees: Joint Committee on Marijuana Legalization

House vote: Ayes-52, Nays-3, Excused-5

Senate vote: Ayes-22, Nays-8, Excused-0

Allows the Department of Revenue to enter into an agreement with a federally recognized Indian tribe for the purpose of making rebate payments on the tax imposed in retail establishments outside of reservations on marijuana items produced or processed on tribal trust land. Producers and processors must be licensed by the governing body of a federally recognized Indian tribe. The tribe and Governor must have already entered into a legal compact regarding marijuana regulation.

### HB 3470 Statutory Changes to support 2017-19 Legislative Adopted Budget (Marijuana Tax Distribution, Borrowing from Liquor Fund)

*Governor Signed August 16, 2017*

Sponsored by: Ways and Means

Committees: Ways and Means Subcommittee on Capital Construction, Ways and Means

House vote: Ayes-58, Nays-1, Excused-1

Senate vote: Ayes-29, Nays-0, Excused-1

Implements the statutory changes necessary to support the 2017-19 legislatively adopted budget to clarify the application of statutes.

Permits the OLCC to make expenditures related to marijuana regulation from the Oregon Liquor Control Account. Requires the Commission to repay amounts expended plus 2% interest not later than June 30, 2019.

Directs the distribution of revenue from tax on marijuana items from annual distributions to quarterly. Gives OLCC the responsibility to determine and report quarterly to the Department of Revenue on the opt-in status of each city and county as well as the number of each type of license and maximum commercial canopy size for each license type in each city and county. Cities and counties who do not certify their opt-in status for the quarter are not eligible for tax distribution that quarter.

### HB 5006 Emergency Board Allocations and 2017-19 Budget Adjustments

*Governor Signed with Line Item Veto August 16, 2017*

At the request of: Department of Administrative Services

Committees: Subcommittee on Capital Construction, Ways and Means

House vote: Ayes-58, Nays-11, Excused-1

Senate vote: Ayes-26, Nays-4, Excused-1

Allocates funds to the Emergency board and makes adjustments to the approved 2017-19 agency budgets. OLCC's administrative expenses approved in HB 5019 was reduced by \$1.5 million. The agency's total budget for the 2017-19 biennium is \$206,250,022 (See HB 5019).

### HB 5019 OLCC Budget 2017-19

*Governor Signed July 19, 2017*

At the Request of: Department of Administrative Services

Committees: Subcommittee on Transportation and Economic Development, Ways and Means

House vote: Ayes-43, Nays-0, Excused-17      Senate vote: Ayes-24, Nays-6, Excused-0

Provides limitation of \$67,380,944 for OLCC administrative expenses, \$7,991,695 for marijuana regulation, \$127,193,324 for agent compensation, and \$227,943 for capital improvements for a total of \$207,708,449 and 304 positions (reduced by HB 5006 to a total of \$206,250,022).

The total alcohol budget for 2017-19 is \$191.9 million and 234 positions. The total marijuana budget for 2017-19 is \$14.3 and 70 positions. The combined agency budget for the 2017-19 biennium is \$206,250,022 and 304 positions.

The legislatively approved budget for 2017-19 adds \$16.4 million (reduced to \$14.9 million by HB 5006) from the 2017-19 current services level to support retail expansion which raises revenue, processing double the marijuana applications, licenses, and renewals as originally projected, and implementing new programs required by legislation, particularly the tracking of marijuana within the OMMP program.

The budget adds 41 positions (37.82 FTE). Two of these positions are changed from limited duration positions authorized in the 2015-17 budget to permanent status. The remaining 39 positions are new:

#### **Retail Expansion Package**

- Assumes 3% revenue increase from retail expansion
- Approved additional agent compensation and credit card fees for the increased volume
- Adds 2 positions – district manager and a business analyst position

#### **Public safety services**

- Recognizes growth in applications, renewals and compliance issues in marijuana program
- Adds 2 public safety management positions

#### **Marijuana program**

- Adds 27 positions to address growth in the marijuana program (22 regulatory specialists, three administrative support personnel and two compliance specialists)
- Moves 1 accountant position to administrative services (technical adjustment)
- Vehicles, supplies, and additional lease costs

### **OMMP medical tracking**

- With the passage of SB 1057, OLCC will be required to track OMMP marijuana producers, processors and retailers in its cannabis tracking system and to conduct inspections and investigations to ensure OMMP marijuana is properly accounted for
- Provides start-up cost of \$1.8 million for OMMP medical tracking from marijuana tax revenues plus a potential to receive up to \$1.25 million in tax revenue per quarter thereafter in order to implement the program
- Actual amount transferred will be determined based on the number of OMMP registrants that OLCC tracks
- Adds 7 positions (2 administrative specialist 2 positions, 3 compliance specialist 1s, an Operations and Policy Analyst 3 and a program management position)
- The agency was instructed to come back in the February session or E-board once the agency knows how many OMMP registrants will be tracked in the CTS to request enforcement personnel. OMMP registrants must declare whether they will be subject to tracking by 12/1/17. OMMP growers must start tracking by 7/1/18.

### **Administration and support**

- 2 limited durations positions are made permanent -1 Human Resource Analyst 1 and a Compliance Specialist 3 in AP & P
- Adds 1 Procurement and Contracts Specialist 1 to support additional personnel
- Adds 1 Compliance Specialist 3 in AP & P to handle the anticipated increase in contested case hearings related to license approvals and disciplinary actions
- Adds 1 accountant from marijuana program (technical adjustment)
- Services and supplies cost and remodeling of the Commission meeting space to accommodate 2 new Commissioners
- Addresses reclassifications in both alcohol and marijuana program

### **SB 5508 Limitation Increase for 2015-17**

*Effective March 28, 2017; Chapter 011, (Oregon Laws)*

At the request of: Oregon Department of Administrative Services (pre-session filed)

Committees: Subcommittee on Capital Construction, Ways and Means

House vote: Ayes-55, Nays-4, Excused-1          Senate vote: Ayes-27, Nays-2, Excused-1

Increases OLCC's 2015-17 biennial appropriate by \$800,000 for increased bank card fees and \$3,200,000 for agent compensation due to an increase in forecasted sales.

### **SB 5529 Oregon Marijuana Account, Lottery, and Criminal Fine Allocations**

*Effective July 19, 2019; Chapter 607, (2017 Laws)*

At the request of: Oregon Department of Administrative Services

Committees: Subcommittee on Capital Construction, Ways and Means

House vote: Ayes-54, Nays-6, Excused-0          Senate vote: Ayes-27, Nays-1, Excused-2

Directs distribution of lottery resources as directed in statute and marijuana tax revenues as specified in HB 3470.

#### **Distribution of Marijuana Revenues**

	<b>Share</b>	<b>Biennium 2017-19</b>
<b>Total (including 2015-17 carry forward)</b>	<b>100%</b>	<b>\$202.5</b>
Cities	10%	\$20.3
Counties	10%	\$20.3
State School Fund	40%	\$81.0
Mental Health, Alcoholism and Drug Services	5%	\$10.0
State Police	15%	\$30.4

#### **SB 5545 Ratifies Marijuana Fees**

*Effective July 19, 2017; Chapter 607, (2017 Laws)*

At the request of: Oregon Department of Administrative Services (Pre-session filed)

Committees: Subcommittee on Capital Construction, Ways and Means

House vote: Ayes-54, Nays-6, Excused-0

Senate vote: Ayes-27, Nays-1, Excused-2

Replaces the original content of the bill to ratify fees created by the Oregon Liquor Control Commission and administratively approved by the Department of Administrative Services for marijuana micro-tier I producers (\$1,000), micro-tier II producers (\$2,000), micro-tier wholesalers (\$1,000), sampling laboratories (\$2,500) and fee to change a marijuana package or label that has been previously approved (\$25).