



Oregon

Tina Kotek, Governor

Liquor & Cannabis Commission

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February 14, 2023

Kip Memmott, Director
Secretary of State, Audits Division
255 Capitol St. NE, Suite 180
Salem, OR 97310

Dear Mr. Memmott,

This letter provides a written response to the Audits Division's final draft audit report titled: "Oregon Needs to Modernize Cannabis Laws to Help Grow the State's Economy and to Ensure Equitable Opportunities for all Communities."

The mission of the OLCC is to support businesses, public safety, and community livability through education and the enforcement of liquor and marijuana laws. As noted in the audit report, the Cole Memorandum has been rescinded, but all of the points addressed in the memo remain in ORS 475C, the Oregon state law that directs the agency's work. The duty to create a comprehensive regulatory framework for adult-use marijuana is not something the commission has taken lightly. Realizing the landscape looks very different now than it did in 2014 when Oregon voters approved Measure 91, the commission has continued to engage licensees and other stakeholders in annual revisions to our rules and policies to better support licensees, their businesses, and Oregonians. While we sincerely hope the assumptions are true that diversion, criminal activity, and sales to minors are no longer concerns, it remains our responsibility to maintain a regulated system. Moreover, as the audit itself aptly identifies, marijuana businesses, through no fault of their own, face unique public safety and security risks that no other industry faces. These concerns must also be front and center in OLCC's considerations so that all participants in the industry – owners, employees, and customers – are safe and secure.

In preparation of the Federal government potentially allowing for interstate commerce of cannabis products, we anticipate that only the best quality products from well-regulated systems, that have recognized testing, packaging, labeling, and traceability standards, will be allowed for sale into other states. One of OLCC's main goals is to support Oregon businesses so they are ready to successfully transition from a closed state system to an open national market.

Below is our detailed response to each recommendation in the audit.

When preparing for the future expansion of the adult use cannabis industry and to further Oregon’s equity goals, OLCC should:

<p>RECOMMENDATION 1</p> <p>Identify and reform its rules which are in place primarily to avoid federal intervention, and which presume cannabis businesses will engage in illegal activity, specifically:</p> <ul style="list-style-type: none"> a. Reevaluate the public purpose and economic impact of regulations like the requirements for steel doors and 24-hour video surveillance. b. Implement seed to sale batch tagging to balance accountability for reporting and compliance with lower costs for producer licensees and medical growers required to report in METRC. 		
<p>Agree or Disagree with Recommendation</p>	<p>Target date to complete implementation activities</p>	<p>Name and phone number of specific point of contact for implementation</p>
<p>Agree</p>	<p>1/1/2024</p>	<p>A. Borup 503-504-3052</p>

Narrative for Recommendation 1

The OLCC has already undertaken rulemaking to change from individual plant tags to batch tagging. At the time of this report, it is our understanding that the Commission will approve the batch tagging rules at the February 2023 commission meeting, making the rules effective January 1, 2024.

The OLCC has modified many of our violations related to security requirements in the past two years and will evaluate steel doors and video camera requirements during the 2023 cycle of rulemaking. That evaluation process will include stakeholders such as licensees and public health and safety partners.

To better understand the obstacles of past cannabis prohibition for people of color and create harm reduction strategies, and ensure programming, services, laws, and rules related to cannabis are aligned with the diversity, equity, and inclusion values of the state, OLCC should:

<p>RECOMMENDATION 2</p> <p>Ensure its replacement cannabis licensing system has the capacity to gather demographic data and generate reports encouraged in Oregon’s DEI Action Plan.</p>		
<p>Agree or Disagree with Recommendation</p>	<p>Target date to complete implementation activities</p>	<p>Name and phone number of specific point of contact for implementation</p>
<p>Agree</p>	<p>12/31/2023</p>	<p>A. Borup 503-504-3052</p>

Narrative for Recommendation 2

The current OLCC licensing system does not collect demographic data to the level needed to comply with the DEI Action Plan. As a result, the state does not have the necessary data by which to benchmark diversity among Oregon’s cannabis licensees, to better understand the obstacles and create harm reduction strategies, and to evaluate the efficacy and outcomes of its regulatory efforts. OLCC is in the process of developing and replacing its current licensing system, with an implementation of the new system planned for Fall 2023, followed by the collection of this data in the near future.

RECOMMENDATION 3		
As part of the annual reporting required by House Bill 4016, OLCC should include an assessment of the impact the moratorium has on those most negatively impacted by the prohibition of cannabis.		
Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	3/20/2023	A. Borup 503-504-3052

Narrative for Recommendation 3

The first report required by HB 4016 is due by March 20, 2023; the agency will include an assessment of the moratorium as it relates to people most negatively impacted by the prohibition of marijuana.

Please contact Amanda Borup at 503-504-3052 with any questions.

Sincerely,



Steve Marks
Executive Director