

Co-Chairs Burdick and Lininger and Members of the Joint M91 Committee:

My name is Jennifer Alexander, and I am a resident of Beaverton and a consumer advocate for marijuana law reform. I've offered testimony previously on HB 3400 and wanted to offer just a couple of points for your consideration at this time.

Specifically:

- Please add the word “mature” before “marijuana plants” in two places; one, when defining the number of plants that each household can grow, and two, when defining the criminal penalties for exceeding the allowed number of plants per household.
- Please delete the “cut and drying” language that appears in the definition of “mature marijuana plant”.
- Please consider adjusting the possession limits for personal homegrown marijuana similar to what was proposed in SB 964.
- Please set the rate of taxation as low as possible, to encourage as many adult users as possible into the legal retail markets.
- Please consider the “soft-start” date of July 1, 2015 for adult-use sales from medical marijuana dispensaries without requiring collection of taxes initially, phasing in the taxes when the necessary resources are in place, stated as Oct 1, 2016 in most recent testimony from agencies.
- Please consider progressive license fees that incentivize small, family businesses and consider allocating a portion of the licensing fees to the localities where the licensee will operate to cover their costs and facilitate authorizing licensees to operate in their jurisdictions.

The plant limits for private, personal cultivation for adults should be based on the same units as the limits for medical marijuana – “mature marijuana plants”. Currently, the language found in HB 3400 and all the proposed amendments fails to synchronize the language for plant limits for private personal grows. For medical marijuana, registered cardholders are allowed to grow 6 mature marijuana plants (defined as plants that are flowering) and immature marijuana plants do not have limits. This is a wonderful evolution for the personal cultivation of marijuana, as it will enable patients to preserve desirable strains of marijuana without those non-psychoactive vegetative plants impacting their allowed plant limits. Plants kept in a constant state of vegetative growth are often referred to as “mothers” and enable a person to cut clones from that mother to flower out the strain without losing the original genetics. For adult personal grows, this same language is important to preserving the diverse genetics available in our area. Without classifying the limits the same way, it will be nearly impossible for a household to preserve a desirable strain for future use while attempting to grow other strains to flower. Further, retaining such a stark difference in how limits are measured for patients versus adult users will result in a lot of confusion, particularly since HB 3400 does utilize the same language as SB 964 to define mature marijuana plants and immature marijuana plants – it just fails to define limits in the same terms of “mature marijuana plants”. **For this reason, I believe it is very important that the language include the word “mature” before marijuana plants when discussing the specific limits allowed for adult use as well as when describing criminal penalties for possessing plants beyond those allowed under the law. Please add the word “mature” before “marijuana plants” in both of these locations of the language.**

Senator Prozanski also previously noted that the language in HB 3400 defined “mature marijuana plants” as flowering whether they were growing or “cut and drying”. Mark Mayer noted that this was

an oversight on his part in previous testimony and agreed that the earlier language in SB 964 that simply defined “mature marijuana plants” as flowering plants was more accurate and that it was not intended to count plants that were cut and drying in the allowed plant limits for cultivation. **This “cut and drying” language is still in the dash 8 amendment and still needs corrected.**

The language proposed in SB 964 to adjust the possession limits for growers is sensible and ensures that growers aren’t immediately in violation of the law upon harvest and therefore incentivized to dispose of excess, potentially through illegal means. I think this same strategy should be utilized with private personal homegrows as well. While drafters of Measure 91 were trying to be conservative with the possession limits suggested in the original text, I think everyone is aware of the impracticality of only allowing eight ounces of marijuana to be possessed from four plants. **Please considering increasing the possession limits for homegrows similar to what was proposed in SB 964, such as 12 pounds per outdoor plant and 6 pounds per indoor plant.**

For the purposes of taxation, I think it is important to consider the intent of taxation and the desirable outcome from the taxation to find the best possible solution to where to set the tax rate. Initially, I think it is the intent of this committee to keep the taxes low to encourage consumers to utilize the legal market being created in place of their existing suppliers. As time progresses, I understand the intent of the tax to offset costs to public agencies for any societal costs and raise revenue for our State. I also think it is important to recognize that increasing a tax on a product such as alcohol, tobacco or marijuana isn’t nearly as difficult as reducing a tax on such a product, and a lower tax rate will incentivize more consumers to use the legal market than a higher tax will. With that in mind, **I would strongly encourage this committee to begin with the lowest possible tax rate for the first year or two of taxation to try to bring as many consumers into the legal market as possible.** At this point in time, it is most critical that we convert the black and grey market to the legal market and this will best be done by retaining the lowest possible taxation. Further, the more people who convert into the legal market, the more tax revenue is captured by the State regardless of what rate is utilized. Since one of the goals is compliance with the Cole Memo that seeks to minimize diversion of marijuana outside of legal channels, a lower tax rate serves the purpose of complying with the federal goals as well.

John Sajo of Umpqua Cannabis Association previously recommended no taxation during the early start proposed by Senator Ferrioli of July 1 to ease the implementation of adult use sales, encouraging adults into the legal market while allowing the Department of Revenue, OLCC and the banking system to work out the complex details involved with safely collecting the tax. I think that this could be a terrific strategy, and that this committee should consider a short phase of time where medical marijuana outlets can sell to adults without requiring collection of a tax until a predetermined date when the taxes will go into effect. This will give all involved parties, including the retailers themselves, to implement the appropriate collection and payment strategies to best ensure the public safety and cash handling practices necessary. As I am certain this committee is aware, the tax portion of this conversation is one of the more challenging things to work out logistically, and while it sounds like there is a lot of work being done to resolve concerns of various parties surrounding the payment and collection of the tax, there is still a lot more work to be done.

**I would recommend that this committee seriously consider opening up the medical marijuana outlets to adult use sales as of July 1 with the same regulations and controls currently utilized by the dispensaries with the sole difference being that instead of requiring an OMMP card, adults 21 and over can show their ID and be allowed to make purchases of whatever amount is deemed appropriate by this committee.** I believe that an ounce is a reasonable amount to cap purchases for adult users,

since that is the amount adults are allowed to possess in public and has always been the “violation” amount that was deemed “no big deal” by even opponents to marijuana law reform. This committee may want to implement self-reporting requirements on all sales from dispensaries through HB 3400 to ensure that there is adequate tracking of production and consumption necessary to fulfill the ongoing market demand in the adult use market, prior to or in lieu of implementation of the “seed-to-sale” tracking considerations, based on the potential that SB 964 may not pass with its similar reporting requirements and the seed-to-sale systems proposed aren’t likely to be ready for quite some time. At a specified future date, such as Oct 1, 2016, the taxes – which can be determined now – can go into effect. I would recommend that if we are looking at a “flat” tax across all products, that we consider a rate of 5-10% maximum, with the 2016 legislature considering if the tax rate needs to be adjusted based on sales between now and then and tax revenues calculated from sales projections based on ongoing demand. This strategy will serve to bring the most marijuana users possible into the legal recreational market, and I assure you that the greatest majority of those users will continue to use the legal outlets with the many advantages they offer even after the tax goes into effect.

Finally, **I would strongly recommend that you consider the progressive license fees suggested by John Sajo in Monday’s hearing as well.** Such a system would serve the purposes of multiple interested parties, by encouraging the smaller scale farms through lower licensing fees. I don’t know what the appropriate scale of such a progressive licensing fee structure should look like, but I think that Senator Kruse would probably be a terrific source to offer insight into what a reasonable rate for a small family farm would be, and what sort of licensing fee should be implemented for larger scale farms that will have more significant impacts on water, energy and surrounding communities. I also think that it would be wise to consider allocating some portion of the license fees to the localities to help offset a variety of the concerns expressed by the AOC and the LOC, including the inequitable distribution of funds that they identified from the current distribution of tax money that is based on dollars and not the number of stores operating in a particular locality.

Thank you very much for your time and consideration on this points.

Sincerely,

Jennifer Alexander