

Measure Number: Initiative Petition 2024-35

Subject: Collective Bargaining in Cannabis

Government Unit Affected: State of Oregon, local governments

Prepared by: Stacey Chase, Department of Administrative Services

Reviewed by: Kate Nass, Department of Administrative Services

Date: July 11, 2024

Comments

Initiative petition (IP) 2024-35 requires the Oregon Liquor and Cannabis Commission (OLCC) to expand cannabis-related licensure requirements to include either a signed labor peace agreement¹ or a signed attestation agreeing to abide by terms of a labor peace agreement.

Fiscal Impact Summary

Executive Branch Assumptions:

- Review applicable staff measure summaries and impact statements. Introduced during the 2023 Regular Session at the request of the United Food and Commercial Workers Local 555, House Bill 3183 contained similar language to IP 2024-35. Both the fiscal impact and revenue statements published for the legislation indicated further analysis was required. The legislation did not pass during the 2023 Regular Session.
- Isolate activities required to be performed. IP 2024-35 establishes a requirement for OLCC to include labor peace agreements as part of cannabis-related licensure. Expanding licensure requirements results in an increase in compliance monitoring and investigation.
- Identify entities potentially impacted. State agencies potentially impacted by IP 2024-35 include: Bureau of Labor and Industries (BOLI); Department of Administrative Services, Chief Human Resource Office, Labor Relations Unit (CHRO-LRU); Employment Relations Board (ERB); and OLCC. Of the four state agencies contacted, OLCC is the only one that indicated IP 2024-35 would result in a fiscal impact.
- Consider the impact of similar licensure changes. OLCC expanded licensure requirements to include a tax compliance certificate from the Department of Revenue (DOR). The impact of this change was used to assess the impact of IP 2024-35.

OLCC Fiscal Impact Assumptions:

¹ A labor peace agreement is a contract between an employer and a union, in which the employer agrees to be neutral during a union organizing campaign and not interfere with labor organizing efforts. The labor union agrees not to engage in picketing, work stoppages, boycotts, and any other economic interference with the employer.

OLCC has a call center that responds to cannabis-related questions and complaints. During calendar year 2023 the call center received 9,783 calls. Call center personnel estimate that approximately 1/3 of calls received relate to labor/management issues at OLCC licensed cannabis locations. **One Regulatory Specialist** would be needed to vet and investigate additional call center complaints and prepare case reports for referral to the Administrative Hearings Division to impose sanctions required by IP 2024-35.

In partnership with DOR, OLCC expanded licensure requirements to include a tax compliance certificate. The principle seemed simple to implement: OLCC licensees would prove tax compliance through a document uploaded during the application/renewal process allowing their license to be approved/renewed. Expanding the licensure requirements resulted in a heavy burden on OLCC licensing staff. During June 2024, OLCC had eight licensees that did not meet their obligation of obtaining a tax compliance certificate in a timely manner. The agency issued letters notifying applicants of the incomplete application which resulted in three businesses closing. Upon closure, the licensee is required to transfer, destroy, or release their inventory to OLCC. Some licensees have thousands of cannabis items that need to be accounted for. This is a labor-intensive process and required multiple staff and multiple days to process the three closures. **Two Licensing Specialists** and **one Administrative Specialist 2** would be needed to complete the additional licensure documentation verification and follow-up. Currently, all cannabis-related licenses are renewed annually.

As part of its information technology modernization project, OLCC introduced the Cannabis and Alcohol Management Program (CAMP) which provides self-service functionality for cannabis and liquor licensing/permitting. The recreational marijuana licensing module has already been launched. OLCC estimates an additional cost of **\$100,000** to update CAMP to incorporate labor peace agreement compliance to the cannabis-related licensure requirements.

IP 2024-35 requires OLCC to impose sanctions (e.g., fine, license suspension, license revocation) on licensees who fail to comply with providing evidence of a labor peace agreement. Prior to imposing sanctions, a licensee is entitled to due process through the administrative hearing process. **One Case Presenter** would be needed for hearing preparation, presentation, and settlement negotiation. **One Administrative Specialist 2** would be needed to assist in issuing notices and tracking documents through the administrative hearing process.

	2023-25			2025-27		
Entity	Fiscal Impact	Positions	FTE	Fiscal Impact	Positions	FTE
<i>State Government</i>						
OLCC	\$583,076	6	1.50	\$1,489,477	6	6.00
<i>Local Government</i>	\$0	0	0	\$0	0	0

Local Government Assumptions:

- The proposed cannabis-related licensure changes do not require local governments to take action.

Estimate of Financial Impact

Initial Statement

This measure will increase state government expenditures by approximately \$583,000 in the first year of implementation and \$750,000 for each subsequent year. The estimated expenditures include six new positions to complete the additional licensure documentation verification, compliance monitoring, and oversight responsibilities. The increased costs will be funded by cannabis-related licensing fees. There is no financial impact to local governments.

11th Grade Reading Level

This measure will increase state government costs by approximately \$0.6 million in the first year. Ongoing costs will increase by approximately \$0.8 million each subsequent year. The estimated costs include six new positions to verify application documents and monitor compliance. The increased costs will be paid for by license application fees. There is no financial impact to local governments.

November 5, 2024 General Election

Initiative Petition #35

“Amends Oregon Revised Statutes: Requires the Oregon Liquor and Cannabis Commission to expand cannabis-related licensure requirements to include a signed labor peace agreement or a signed attestation agreeing to abide by terms of a labor peace agreement.”

Draft Estimate of Financial Impact:

This measure will increase state government costs by approximately \$0.6 million in the first year. Ongoing costs will increase by approximately \$0.8 million each subsequent year. The estimated costs include six new positions to verify application documents and monitor compliance. The increased costs will be paid for by license application fees. There is no financial impact to local governments.

Certification:

We, the undersigned, hereby certify that, pursuant to ORS 250.127(3), we have prepared the statement described under “Estimate of Financial Impact.”

LaVonne Griffin-Valade, Secretary of State

Date

Tobias Read, State Treasurer

Date

Berri Leslie, Director,
Department of Administrative Services

Date

Betsy Imholt, Director, Department of Revenue

Date

Ernest Stephens, Local Government representative

Date