

Glut of pot in Oregon is a cautionary tale

Loose rules aimed to end black market now imperil small growers

Gillian Flaccus ASSOCIATED PRESS

PORTLAND, Ore. – When Oregon lawmakers created the state’s legal marijuana program, they had one goal in mind above all else: to persuade illicit pot growers to leave the black market.

That meant low barriers for entering the industry that also targeted long-standing medical marijuana growers, whose product is not taxed. As a result, weed production boomed – with a bitter consequence.

Now, marijuana prices here are in freefall, and the craft cannabis farmers who put Oregon on the map decades before broad legalization say they are in peril of losing their now-legal businesses as the market adjusts.

Oregon regulators announced Wednesday they will stop processing new applications for marijuana licenses in two weeks to address a severe backlog and ask state lawmakers to take up the issue next year.

Experts say the dizzying evolution of Oregon’s marijuana industry may well be a cautionary tale for California, where a similar regulatory structure could mean an oversupply on a much larger scale.

“For the way the program is set up, (California) just wants to get as many people in as possible, and they make no bones about it,” said Hilary Bricken, a Los Angeles-based attorney specializing in marijuana business law. “Most of these companies will fail as a result of oversaturation.”

Oregon has nearly 1 million pounds of marijuana flower – commonly called bud – in its inventory, a staggering amount for a state with about 4 million people. Producers told The Associated Press wholesale prices fell more than 50 percent in the past year; a study by the state’s Office of Economic Analysis found the retail cost of a gram of marijuana fell from \$14 in 2015 to \$7 in 2017.

The oversupply can be traced largely to state lawmakers’ and regulators’ earliest decisions to shape the industry.

They were acutely aware of Oregon’s entrenched history of providing top-drawer pot to the black market nationwide, as well as a concentration of small farmers who had years of cultivation experience in the legal, but largely unregulated, medical pot program.

Getting those growers into the system was critical if a legitimate industry was to flourish, said Sen. Ginny Burdick, a Portland Democrat who co-chaired a committee created to implement the voter-approved legalization measure.

Lawmakers decided not to cap licenses; to allow businesses to apply for multiple licenses; and to implement relatively inexpensive licensing fees.

Oregon’s Liquor Control Commission announced Wednesday it will put aside applications for new licenses received after June 15 until a backlog of pending applications is cleared. The decision comes after U.S. Attorney Billy Williams challenged state officials to address the oversupply.

“In my view ... it’s a failing of the state for not stepping back and taking a look at where this industry is at following legalization,” Williams told the AP in an interview.

But those in the industry supported the initial decisions that led to the oversupply, Burdick said.

“We really tried to focus on policies that would rein in the medical industry and snuff out the black market as much as possible,” Burdick said.

Lawmakers also quickly backtracked on a rule requiring marijuana businesses to have a majority ownership by someone with Oregon residency after entrepreneurs complained it was hard to secure startup money. That change opened the door to deep-pocketed, out-of-state companies that could begin consolidating the industry.

The state has granted 1,001 producer licenses and had another 950 in process as of last week. State officials worry if they cut off licensing or turn away those already in the application process, they’ll get sued or encourage illegal trade.

Some of the same parameters are taking shape in

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Notice of Preliminary Determination for Groundwater Registration Modification T-12494
T-12494 filed by Westwood Farms, PO Box 82, Saint Paul, OR 97137, proposes an additional point of appropriation under Registration Applications GR-533 and GR-2814. GR-2814 allows the use of 0.668 cubic foot per second from a well in Sec. 11, T6S, R3W, WM for irrigation in Secs. 2 and 11, T6S, R3W, WM. GR-533 allows the use of 0.067 cubic feet per second from a well in Sec. 11, T6S, R3W, WM for irrigation in Sec. 11, T6S, R3W, WM. The applicant proposes an additional point of appropriation in Sec. 2, T6S, R3W, WM. The Water Resources Department proposes to approve the modification, based on the requirements of ORS Chapter 540 and OAR 690-382-1000. Any person may file, jointly or severally, a protest or standing statement within 30 days after the last date of newspaper publication of this notice, MM/DD/YEAR. Call (503) 986-0807 to obtain additional information. If no protests are filed, the Department will issue a final order consistent with the preliminary determination. Silverton Appeal (2954694) 6/6, 6/13

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Customers shop at Eugene, Ore., pot dispensary Amazon Organics in 2015. Three years after Oregon created the state’s legal marijuana program, prices in the state are in freefall and craft cannabis farmers are in danger of losing their businesses. ASSOCIATED PRESS

FORM UR-1 NOTICE OF BUDGET HEARING				
A public meeting of the Silverton Urban Renewal Agency will be held on June 18, 2018 at 7:00 pm at 421 S Water, Silverton, Oregon. The purpose of this meeting is to discuss the budget for the fiscal year beginning July 1, 2018 as approved by the Silverton Urban Renewal Agency Budget Committee. A summary of the budget is presented below. A copy of the budget may be inspected or obtained at 306 S Water, Silverton OR, between the hours of 8:00 am and 5:00 pm. or online at: www.silverton.or.us . This budget is for an annual budget period. This budget was prepared on a basis of accounting that is the same as used the preceding year.				
Contact: Kathleen Zaragoza		Telephone: 503-873-5321		Email: kzaragoza@silverton.or.us
FINANCIAL SUMMARY - RESOURCES				
TOTAL OF ALL FUNDS	Actual Amount 2016-2017	Adopted Budget This Year 2017-2018	Approved Budget Next Year 2018-2019	
Beginning Fund Balance/Net Working Capital	\$681,626	\$646,033	\$1,043,655	
All Other Resources Except Division of Tax & Special Levy	\$17,420	\$39,027	\$56,425	
Revenue from Division of Tax	\$411,631	\$419,210	\$516,450	
Total Resources	\$1,110,677	\$1,104,270	\$1,616,530	
FINANCIAL SUMMARY - REQUIREMENTS BY OBJECT CLASSIFICATION				
Materials and Services	\$3,267	\$44,175	\$42,525	
Capital Outlay	\$225,430	\$695,095	\$1,222,360	
Debt Service	\$150,000	\$150,000	\$27,270	
Contingencies	0	\$215,000	\$324,375	
Unappropriated Ending Fund Balance	\$731,980			
Total Requirements	\$1,110,677	\$1,104,270	\$1,616,530	
STATEMENT OF INDEBTEDNESS				
LONG TERM DEBT	Estimated Debt Outstanding July 1, 2018	Estimated Debt Authorized, But Not Incurred on July 1		
Other Borrowings	\$25,770	\$0		
Total	\$25,770	\$0		

FORM LB-1 NOTICE OF BUDGET HEARING				
A public meeting of the City of Silverton will be held on June 18, 2018 at 7:00 pm at 421 S Water, Silverton, Oregon. The purpose of this meeting is to discuss the budget for the fiscal year beginning July 1, 2018 as approved by the City of Silverton Budget Committee. A summary of the budget is presented below. A copy of the budget may be inspected or obtained at 306 S Water, Silverton OR, between the hours of 8 am and 5 pm or online at: www.silverton.or.us . This budget is for an annual budget period and was prepared on a basis of accounting that is the same as used the preceding year.				
Contact: Kathleen Zaragoza		Telephone: 503-873-5321		Email: kzaragoza@silverton.or.us
FINANCIAL SUMMARY - RESOURCES				
TOTAL OF ALL FUNDS	Actual Amount 2016-2017	Adopted Budget This Year 2017-2018	Approved Budget Next Year 2018-2019	
Beginning Fund Balance/Net Working Capital	21,133,294	22,080,349	26,515,045	
Fees, Licenses, Permits, Fines, Assessments & Other Service Charges	9,165,208	9,465,931	9,661,056	
Federal, State and all Other Grants, Gifts, Allocations and Donations	1,091,153	1,338,823	1,002,581	
Revenue from Bonds and Other Debt				
Interfund Transfers / Internal Service Reimbursements	4,923,678	4,078,747	4,356,464	
All Other Resources Except Current Year Property Taxes	621,339	388,551	535,064	
Current Year Property Taxes Estimated to be Received	2,853,218	2,787,895	2,856,260	
Total Resources	39,787,890	40,140,096	44,926,470	
FINANCIAL SUMMARY - REQUIREMENTS BY OBJECT CLASSIFICATION				
Personnel Services	4,937,194	5,876,636	6,156,638	
Materials and Services	2,432,155	3,591,040	4,100,623	
Capital Outlay	2,211,871	14,268,411	16,649,999	
Debt Service	1,495,697	1,419,448	1,299,653	
Interfund Transfers	4,923,678	4,078,747	4,356,464	
Contingencies		2,160,689	2,805,149	
Special Payments				
Unappropriated Ending Balance and Reserved for Future Expenditure	23,787,295	8,745,125	9,557,944	
Total Requirements	39,787,890	40,140,096	44,926,470	
FINANCIAL SUMMARY - REQUIREMENTS AND FULL-TIME EQUIVALENT EMPLOYEES (FTE) BY ORGANIZATIONAL UNIT OR PROGRAM *				
Name of Organizational Unit or Program				
FTE for that unit or program				
Administration	349,689	383,826	406,911	
FTE	2.60	2.80	2.80	
Finance Department	384,070	427,915	450,397	
FTE	3.63	4.00	4.00	
Police Department	2,088,045	2,382,483	2,466,155	
FTE	19.38	19.76	19.76	
Community Development Department	344,418	446,263	484,226	
FTE	3.40	3.70	4.20	
Public Works	1,717,806	2,029,070	2,135,570	
FTE	20.84	21.72	21.72	
Trolley Services	53,166	82,499	85,558	
FTE	1.47	1.47	1.47	
Extended Leave	0	124,580	127,821	
FTE	0.00	0.49	0.49	
Total Requirements	4,937,194	5,876,636	6,156,638	
Total FTE	51.32	53.94	54.44	
STATEMENT OF CHANGES IN ACTIVITIES and SOURCES OF FINANCING*				
PROPERTY TAX LEVIES				
	Rate or Amount Imposed 2016-17	Rate or Amount Imposed This Year 2017-18	Rate or Amount Approved Next Year 2018-19	
Permanent Rate Levy (rate limit 3.6678 per \$1,000)	3.6678	3.6678	3.6678	
Local Option Levy	275,000	275,000	275,000	
Levy For General Obligation Bonds	76,983	0	0	
STATEMENT OF INDEBTEDNESS				
LONG TERM DEBT	Estimated Debt Outstanding on July 1,	Estimated Debt Authorized, But Not Incurred on July 1		
General Obligation Bonds	\$0			
Other Bonds	\$10,657,106			
Other Borrowings	\$1,237,635			
Total	\$11,894,741	\$0		

FORM ED-1 NOTICE OF BUDGET HEARING				
A public meeting of the Silver Falls School District 4J School Board will be held on June 11, 2018 at 7 pm at the Silverton Community Center, 421 S. Water St., Silverton, Oregon. The purpose of this meeting is to discuss the budget for the fiscal year beginning July 1, 2018 as approved by the Silver Falls School District 4J Budget Committee. A summary of the budget is presented below. A copy of the budget may be inspected or obtained at 612 Schlador St, Silverton, OR between the hours of 7:30 a.m. and 4:30 p.m. or online at silverfallschools.org . This budget is for an annual budget period. This budget was prepared on a basis of accounting that is the same as the preceding year. If different, the major changes and their effect on the budget are:				
Contact: Steve Nielsen - Business Manager		Telephone: (503) 873-5303		Email: nielsen.steve@silverfalls.k12.or.us
FINANCIAL SUMMARY - RESOURCES				
TOTAL OF ALL FUNDS	Actual Amount 2016-2017	Adopted Budget This Year 2017-2018	Approved Budget Next Year 2018-2019	
Beginning Fund Balance	\$10,393,548	\$9,020,408	\$9,944,917	
Current Year Property Taxes, other than Local Option Taxes	10,525,028	10,478,875	11,004,500	
Current Year Local Option Property Taxes	0	0	0	
Other Revenue from Local Sources	4,366,377	4,592,600	4,510,100	
Revenue from Intermediate Sources	892,808	800,000	923,168	
Revenue from State Sources	30,994,613	34,217,975	35,100,350	
Revenue from Federal Sources	1,973,956	2,265,000	2,165,000	
Interfund Transfers	234,660	1,500,000	600,000	
All Other Budget Resources	150,000	1,500,000	0	
Total Resources	\$59,530,990	\$64,374,858	\$64,248,035	
FINANCIAL SUMMARY - REQUIREMENTS BY OBJECT CLASSIFICATION				
Salaries	\$20,545,320	\$22,039,925	\$23,524,427	
Other Associated Payroll Costs	12,200,157	14,438,721	15,282,590	
Purchased Services	6,866,402	7,863,625	7,894,636	
Supplies & Materials	2,268,155	2,369,130	2,498,556	
Capital Outlay	3,345,696	3,630,000	2,751,500	
Other Objects (except debt service & interfund transfers)	436,871	537,241	516,269	
Debt Service*	5,262,374	6,846,800	5,984,500	
Interfund Transfers*	234,660	1,500,000	600,000	
Operating Contingency	0	2,386,976	2,305,161	
Unappropriated Ending Fund Balance & Reserves	0	2,762,440	2,890,396	
Total Requirements	\$51,159,635	\$64,374,858	\$64,248,035	
FINANCIAL SUMMARY - REQUIREMENTS AND FULL-TIME EQUIVALENT EMPLOYEES (FTE) BY ORGANIZATIONAL UNIT OR PROGRAM *				
1000 Instruction	\$25,186,955	\$28,469,306	\$29,760,100	
FTE	292.34	296.44	302.82	
2000 Support Services	15,643,792	17,427,336	18,451,310	
FTE	123.41	125.74	131.89	
3000 Enterprise & Community Service	1,063,583	1,358,000	1,411,568	
FTE	11.54	11.50	11.50	
4000 Facility Acquisition & Construction	3,702,047	3,624,000	2,845,000	
FTE	0.00	0.00	0.00	
5000 Other Uses				
5100 Debt Service*	5,328,598	6,846,800	5,984,500	
5200 Interfund Transfers*	234,660	1,500,000	600,000	
6000 Contingency	0	2,386,976	2,305,161	
7000 Unappropriated Ending Fund Balance	0	2,762,440	2,890,396	
Total Requirements	\$51,159,635	\$64,374,858	\$64,248,035	
Total FTE	427.29	433.68	446.21	
* not included in total 5000 Other Uses. To be appropriated separately from other 5000 expenditures .				
PROPERTY TAX LEVIES				
	Rate or Amount Imposed 2016-2017	Rate or Amount Imposed This Year 2017-2018	Rate or Amount Approved Next Year 2018-2019	
Permanent Rate Levy (rate limit \$4.5458 per \$1,000)	\$4.5458	\$4.5458	\$4.5458	
Local Option Levy				
Levy For General Obligation Bonds	\$3,694,950	\$3,802,650	\$3,846,907	
STATEMENT OF INDEBTEDNESS				
LONG TERM DEBT	Estimated Debt Outstanding on July 1,	Estimated Debt Authorized, But Not Incurred on July 1		
General Obligation Bonds	\$31,480,000			
Other Bonds	\$11,254,820			
Other Borrowings	\$2,131,061			
Total	\$44,865,881	\$0		