

**FISCAL IMPACT OF PROPOSED LEGISLATION****Measure: HB 3400 - 29**Seventy-Eighth Oregon Legislative Assembly – 2015 Regular Session  
Legislative Fiscal Office***Only Impacts on Original or Engrossed  
Versions are Considered Official***

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Prepared by: John Terpening  
Reviewed by: Linda Ames, Michelle Deister, Paul Siebert, Julie Neburka, Steve Bender, John Borden, Linda Gilbert, Kim To  
Date: June 15, 2015

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**Measure Description:**

Makes changes to Oregon Medical Marijuana Act, including requiring registration of marijuana identification cardholders, growers, processing sites, and dispensaries. Sets limits on the amount of plants and usable marijuana that may be possessed. Otherwise establishes standards and requirements for the Oregon Medical Marijuana program.

**Government Unit(s) Affected:**

Oregon Health Authority, Oregon Liquor Control Commission, Department of Agriculture, Oregon State Police, Oregon Board of Pharmacy, Oregon Judicial Department, Department of Revenue, Cities, Counties

**Summary of Expenditure Impact:**

See Analysis below

**Local Government Mandate:**

This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

**Analysis:**

The measure amends HB 3400-10, which has not yet been adopted, by allowing cities and counties to adopt ordinances prohibiting medical marijuana processors and dispensaries, as well as recreational marijuana growers, processors, wholesalers or retailers according to conditions specified in the bill. The measure also modifies the provisions of HB 3400-10 relating to residency requirements. HB 3400-29 does not change the underlying fiscal impact of HB 3400-10 as discussed below.

HB 3400-10 outlines responsibilities and authorities of the Oregon Health Authority (OHA) related to Oregon's medical marijuana program. The bill includes the following:

- Requires medical marijuana registry identification cardholders and medical marijuana growers, processors, and dispensaries to be registered with OHA;
- Outlines the OHA licensing process and establishes standards and requirements;
- Sets limits on the number of plants and the amount of usable marijuana that may be possessed;
- Requires OHA to establish a tracking system for growers, processors and dispensaries;
- Requires OHA to adopt rules regarding public health and safety standards for processors of cannabinoid edibles, concentrates and extracts;
- Specifies when OHA may conduct inspections;
- Limits fees to \$20 for veterans diagnosed with post-traumatic stress syndrome;
- Allows OHA to enter into agreements with the Oregon Department of Agriculture (ODA) and the Oregon Liquor Control Commission (OLCC) to implement and enforce the law and grants all of the agencies the authority to possess, seize or dispose of marijuana as necessary to enforce the law;
- Grants OHA the authority to impose civil penalties; and
- Other conditions and requirements.

Fiscal impact information was requested of OHA, but the agency did not provide information on HB 3400-10 to LFO to be analyzed and included in this fiscal impact statement. In earlier bills considered this Session regarding the medical marijuana program that had similarities to this measure, OHA estimated that there would be total costs of approximately \$10.5 million in 2015-17, which would drop to approximately \$6.5 million in 2017-19, as a result of a reduction in one-time costs that would be incurred in 2015-17. Of the \$10.5 million, \$6.3 million was for staffing costs, with the majority of the new positions (25) to be located in the Public Health Division to regulate, track, and inspect marijuana growers and processors. Of the total amount of new FTE that was estimated, 2.77 FTE (3 positions) would be located in DHS and the remaining positions (15) would be technology-related to develop a tracking system and administrative positions to provide program support.

ODA anticipates costs of \$212,641 in 2015-17 to cover the costs to the agency for the implementation of Ballot Measure 91. This includes the cost of one vehicle and one additional position. The 2017-19 cost would be reduced to \$187,641, reflecting the elimination of the one-time cost for a vehicle in 2015-17. It is anticipated that some of the work that would be required of ODA under HB 3400-10 is consistent with work related to the implementation of Ballot Measure 91 and could be absorbed if the agency receives the Ballot Measure 91 funding that has been requested. ODA notes that it is unknown how much additional time and assistance will be required of the agency, and, as a result, the costs for additional work that may be generated by HB 3400-10 is indeterminate at this time.

It is unknown how much time and assistance OHA will require of OLCC, but OLCC expects that any costs would be minimal and the work would be absorbable within current business processes. OLCC notes that they expect that any costs would be covered by revenue collected by OHA and would be addressed as part of an interagency agreement.

The measure modifies the law regarding marijuana offenses, which is likely to increase the number of motions filed to set aside a felony marijuana conviction, although the number of motions is indeterminate. The Oregon State Police (OSP) note that there are currently 78,319 marijuana offense convictions included in the Oregon Computerized Criminal History file that have the potential to become eligible for the set aside process. Depending on the number of set asides that are requested and the timing of those requests, OSP may need to return to the Legislature for additional staff and an increase in Other Funds expenditure limitation. The Judicial Department believes that the changes in the law under HB 3400-10 will result in costs of slightly over \$145,000 due to increased judge and staff time. Other agencies potentially impacted by the bill are expected to incur minimal or no costs to implement HB 3400-10.

The agencies note that they will continue to refine their estimates as there is further clarification of roles and responsibilities. Some costs, as well as the impact to revenue projections, will remain indeterminate until rules are adopted to implement this measure and Ballot Measure 91. Potentially, costs could be lower or higher than estimated depending on how both the medical and recreational marijuana programs operate under the new provisions, as well as how the market responds to the programs.

It should be noted that HB 3400-9, which modifies requirements related to the recreational marijuana program, prescribes some requirements of OLCC that are similar to requirements prescribed for OHA in HB 3400-10, including the establishment of a tracking system. There may be an opportunity to reduce overall costs if the agencies are authorized to work together on a tracking system or other items.