

**REVENUE IMPACT OF
PROPOSED LEGISLATION
Seventy-Eighth Oregon Legislative
Assembly
2015 Regular Session
Legislative Revenue Office**

**Bill Number: HB 2041 - 8
Revenue Area: Marijuana Revenue
Economist: Mazen Malik
Date: 06/23/2015**

***Only Impacts on Original or Engrossed
Versions are Considered Official***

Measure Description:

Provides that local governments may prohibit medical marijuana facilities and producers, processors and sellers of marijuana from being located within one mile of school.

Revenue Impact (in \$Millions):

The table below represents the impact of taxing marijuana. The difference from the current law estimate of Measure 91 is lower net revenue in 2015-17 by about \$5 million and higher in 2017-19 by about \$18 million.

The early start by medical dispensaries is expected to provide \$2 to \$3 million in revenue (at 25% rate) assuming no major implementation difficulties. This however remains a major risk and needs to be monitored not to further disrupt the unfolding of the legal commercial system.

		FY 2016	FY 2017	FY 2018	FY 2019	BN 15-17	BN 17-19
Revenue			\$10.75	\$30.37	\$32.04	\$10.75	\$62.42
collection costs			(\$11.56)	(\$6.84)	(\$6.94)	(\$11.56)	(\$13.78)
Fee & License revenue			\$5.17	\$5.24	\$5.30	\$5.17	\$10.54
Net Revenue			\$4.36	\$28.77	\$30.40	\$4.36	\$59.17
Revenue Distribution							
Common School Fund	40%		\$1.74	\$11.51	\$12.16	\$1.74	\$23.67
Mental Health	20%		\$0.87	\$5.75	\$6.08	\$0.87	\$11.83
State Police Account	15%		\$0.65	\$4.31	\$4.56	\$0.65	\$8.88
Cities	10%		\$0.44	\$2.88	\$3.04	\$0.44	\$5.92
Counties	10%		\$0.44	\$2.88	\$3.04	\$0.44	\$5.92
Oregon Health Authority	5%		\$0.22	\$1.44	\$1.52	\$0.22	\$2.96

Impact Explanation:

This measure changes the tax from a privilege tax (\$35/oz) on producers to a point of sale tax (17%) on retailers. As a result of changing the point of taxation the price to consumers is likely to be lower benefiting from lower markup of the harvest tax and less product price impact from the effects of the IRC 280 E. Thus, the legal market is able to carve a bigger niche and to supply a larger segment of the

existing marijuana demand. Revenue will increase in the coming biennia as prices, quality and safety of the product improves. These results are contingent on the ability of the regulation regime to establish control on the legal market from production and processing to distribution and retailing. Furthermore it is assumed that the medical system will continue to be strictly isolated from the commercial market. Taxes on edibles and other extracts are expected to be about 10% of the total revenue and users from out of state about an equal percentage. New users enticed by legalization are expected to reach 6.4% of the legal market.

The legal market however will probably need about a decade with strong enforcement tools before it is able to dislodge the gray market and become the dominant supplier of marijuana in the state. However, Risks are numerous and they are all bounded by federal policy and its impacts on enforcement mechanisms, tax policy and delisting from the drug schedules. The movement of federal policy in either direction will have a significant impact on marijuana taxation and revenue. Furthermore the implementation of the marijuana policies on the local level and the construction a solid system on the state level are paramount on future direction of success in dominating the markets. The early start amendment might delay that transition and pose a further risk to the intended system.