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# MEMORANDUM

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**To:** Capital Construction Subcommittee

**From:** Michelle Deister, Legislative Fiscal Office  
(503) 986-1817

**Date:** July 1, 2015

**Subject:** HB 5047 Marijuana-related budgets  
Work Session Recommendations

## HB 5047

	2011-13 Actuals	2013-15 Legislatively Approved	2015-17 Current Service Level	2015-17 LFO Recommended
<b>OLCC</b>				
Other Funds	0	0	0	\$8,332,933
Positions				30
FTE				24.91
<b>OHA</b>				
Other Funds				\$6,693,787
Positions				37
FTE				23.25
<b>DOR</b>				
Other Funds				\$1,864,453
Positions				6
FTE				3.15
<b>ODA</b>				
Other Funds				\$212,641
Positions				1
FTE				1.00
<b>DHS</b>				
Other Funds				\$386,411
Positions				3
FTE				2.59
<b>Total Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$17,490,225</b>
Positions	0	0	0	77
FTE	0.00	0.00	0.00	54.90

The Legislative Fiscal Office recommends a total of \$17.5 million Other Funds expenditure limitation across five agencies for implementation costs related to various marijuana regulatory provisions, including HB 3400A, HB 2041A, SB 460A, and SB 844A. More detail on each agency is summarized below.

### **Oregon Liquor Control Commission (OLCC)**

The recommended budget for the Oregon Liquor Control Commission's implementation of recreational marijuana regulation is \$8.3 million Other Funds and 30 positions. One-time costs include procurement of a product tracability system and repayment of approximately \$500,000 which was borrowed from the Liquor Fund to front start up costs, per SB 605 (2015).

Staffing includes eleven inspectors which will be utilized during the initial license application, as well as once licenses are issued. Accounting and auditing staff are responsible for insurance bonding requirements and reconciliation of information from the traceability system, which will be used to support accuracy in marijuana tax collection from the Department of Revenue. Compliance specialists responsible for licesnsing services hearings and violations, and administrative support are also included.

Funding for OLCC functions is to come from regulatory fees imposed by the agency upon licensees, which are not anticipated to begin to materialize until approximately April of 2016. Thus, OLCC will have upfront operational costs for the 2015-17 biennium that, per SB 605, can be borrowed from the liquor fund and repaid with marijuana tax revenue. The average licensing fee, based on an estimated 749 licensees, not including marijuana handlers, is anticipated to be between \$4,000-\$4,500.

### **Oregon Health Authority (OHA)**

The recommendation for OHA's medical marijuana program includes \$5.8 million Other Funds expenditure limitation and 25 positions (19.58 FTE) that will be paid using fee revenues generated by licensing growers, processors, and dispensaries. A portion of the expenditures (\$1.3 million) will be passed through to Shared Services in both OHA and the Department of Human Services to support positions in the Office of Information Services and the Background Check Unit (15 positions and 6.26 FTE).

Staffing is included to do inspections and enforcement related to grow sites, processors, and dispensaries, including work related to the early start of retail sales in dispensaries. The budget includes staff to manage the program, including policy, rule-making, communication and education. Other staff will ensure the accountability of tracking and product reporting, conduct data analysis and process improvement.

OHA anticipates using the OLCC tracking system, rather than building their own. Other costs include system work related to reporting, as well as the development of a licensing system to handle growers, processors and dispensaries.

### **Oregon Department of Revenue**

Adds \$764,453 Other Funds expenditure limitation and five permanent and one limited duration position (3.15 FTE) for program development, revenue receipts and distributions, data analysis, tax return processing, and education and outreach.

Additionally, \$1.1 million of Other Funds expenditure limitation was established for adding point-of-sale functionality to the Department's ongoing Core Systems Replacement project (CSR), which is a commercial-off-the-shelf product.

The expenditures are funded from gross marijuana tax proceeds received by the Department with the remainder to be deposited into the Oregon Marijuana Account.

**Oregon Department of Agriculture**

Adds \$212,641 Other Funds and establishes one Natural Resource Specialist 3 position (1.00 FTE) to serve as the Department of Agriculture’s Marijuana Policy Analyst. The position will act as coordinator to work and consult with state agencies and others on marijuana issues as required by marijuana implementing legislation passed this session.

**Department of Human Services (DHS)**

OHA will pass through funding to DHS Shared Services to provide background checks.

**Budget Note:**

The Legislative Fiscal Office recommends the following budget note regarding proposed license fee considerations for the Oregon Liquor Control Commission:

When setting fees for the recreational marijuana program, the Oregon Liquor Control Commission shall consider the following:

- Fees charged should provide for sustainable operations in the 2017-19 biennium and beyond;
- Fees charged should consider the relative size and scale of operation for all classes of licenses (growers, processors, wholesalers and retailers); and
- Fees charged to licensees should not be lower than those charged by the Oregon Health Authority for equivalent medical marijuana license classes.

The Oregon Liquor Control Commission shall report quarterly to the Legislative Fiscal Office on the number of license applications, the number of licenses approved, fee amounts received, marijuana program expenditures, and progress on implementing technology initiatives associated with the recreational marijuana program.

Motion: Move approval of the the budget note proposed by the Legislative Fiscal Office  
-Or-

Move changes to the proposed budget note (specify).

**Recommended Changes HB 5047**

Motion: Move adoption of the -1 amendment to HB 5047

***Final Motion:***

*Move HB 5047 to the full committee with a “do pass” recommendation, as amended.*

**Carriers:**

**Full Committee Carrier:**\_\_\_\_\_

**Second Chamber Carrier:**\_\_\_\_\_