

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

Bill Number:	HB 3400-A
Revenue Area:	Marijuana Revenue
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Date:	06-19-2015

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

The revenue impact of this measure is indeterminate for the following reasons:

The impact of this amendment is to allow counties and cities to opt out of both medical and commercial marijuana. The opt-out of medical marijuana will not have much impact on revenue; however, the commercial opt-out is likely to impact state tax revenue.

It is not clear which counties and/or cities will immediately opt out. The counties with 55% "No" votes on Measure 91 represent about 8% of the state population. Not all cities and counties in this group are guaranteed to pass an ordinance, and the mobility of consumers still gives the other counties access as an open conduit, thus a 5% negative impact on revenue is a likely floor of this amendment. For an upper range estimate, if those counties with a no vote equal to 49.5% choose to further send the opt-out to referendum, and further if 50% of those counties or more are assumed to opt out. This would affect about 14.5 % of the state population. Given the ability of these residents in the opt-out counties to purchase in nearby legal markets, the overall impact would be close to 10% of the general marijuana tax revenue. Thus, the likely range of impact is anywhere from 5% in the short term to about 10% over a longer range. For a reference point, a 1% change in revenue in a fully phased-in and functioning legalized marijuana market is expected to be about \$250,000.

The measure as amended delegates the OLCC to set by rule the size of canopy and grow operation, as well as balance between indoor and outdoor grow operations, however, the OLCC might need to identify quantities of supply, calibrate it with market demand, and/or influence the price of marijuana sold in Oregon. This represents a risk to revenue by oversupply or shortages as well as price fluctuations. All these interactions can have different effects on revenue from taxes levied on marijuana.

The other possible effect on revenue is the costs of different programs and licensing requirements. The measure allows for fees to cover costs of licensing and other testing, but it might not cover other costs of regulations. If those costs are to be covered from the tax proceeds, then the amounts available for transfer to different programs might be negatively impacted.

The impact of the fines and penalties are also a source of uncertainty. The use of these amounts to cover administration costs as well as the amounts expected to go to the CFA are a source of uncertainty.

The local government additional tax should not have a major disturbance of the tax revenue due to the state, however, if all localities adopt that additional tax that might be considered an additional overall tax increase meaning that overall revenue might be reduced proportional to the price sensitivity of the consumer.