FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: SB 1511 - A**

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Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:
Directs Oregon Liquor Control Commission to register qualified marijuana producers, marijuana processors, marijuana wholesalers and marijuana retailers for purposes of producing, processing and selling marijuana and usable marijuana and medical grade cannabinoid products, cannabinoid concentrates and cannabinoid extracts.

Government Unit(s) Affected:
Cities, Counties, Department of Agriculture, Department of Revenue(DOR), Oregon Health Authority (OHA), Oregon Liquor Control Commission (OLCC)

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 bill makes a number of changes to the laws regarding marijuana programs. These changes include:

- Requires licensed marijuana producers, processors, wholesalers, and retailers to register with the Oregon Liquor Control Commission (OLCC) to produce, process, transfer, or sell marijuana and marijuana products for medical purposes;
- Provides definitions and requires the Oregon Health Authority (OHA) to adopt rules allowing for the provision, transfer, and sale of usable marijuana;
- OHA is required to prescribe levels of tetrahydrocannabinol concentration permitted in a single serving for both medical and recreational users;
- Prohibits taxation of retail sales made to a medical registry identification cardholder or their designated primary caregiver and clarifies that the local option sales tax does not apply to medical marijuana;
- Expands “early start” retail sales to include edibles, topicals, and extracts;
- OHA is authorized to receive confidential information from the Department of Revenue and may share such information as long as confidentiality is maintained;
- Sets daily limits on sales of edibles and prefilled carbon dioxide vaporizer cartridges containing marijuana extract;
- OHA must determine the grandfather status of medical producers growing more than 48 but less than 96 plants by May 1, 2016;
- Exempts producers from canopy limits under specified conditions;
- Provides that limits on mature marijuana plants does not apply until April 1, 2016 or to a person who has applied for an OLCC license;
- Allows local governments to permit dispensaries and retailers within 500 feet of a school under certain circumstances;
- Other provisions and requirements regarding marijuana programs.

OLCC and OHA expect to experience the most significant fiscal impacts as a result of the measure. OLCC anticipates incurring staffing and associated services and supplies costs in the amount of $155,711 Other Funds in 2015-17 and $220,896 Other Funds in 2017-19. OLCC also expects to spend approximately $300,000 Other Funds in 2015-17 for education and outreach related to the “early start” provisions. The additional staffing is for a Regulatory Specialist and a half time Administrative Assistant to accommodate an increase in the number of inspections. OLCC costs will be paid from fees collected from registrants.

While OHA anticipates some new costs as a result of the bill, the major issue for the agency is the potential for a significant decrease in revenue. The agency states that while the amount is indeterminate, they estimate that the loss of revenue, as current OHA medical marijuana registrants become OLCC registrants instead, could be as high as $5.6 million in 2015-17, growing to $6.2 million in 2017-19 if 54% of producers, 90% of processors, and 94% of dispensaries opt to be both licensed and registered by OLCC. The loss of revenue would increase or decrease depending on decisions made by producers, processors, and dispensaries regarding registration. While the agency would experience some cost reductions as the number of registrants and responsibilities transfer to OLCC, it is likely that the revenue reduction would occur sooner than the costs can be reduced. For example, staffing costs for employees that have recently been hired for the marijuana program may exceed incoming revenue, even if those positions are eliminated as soon as feasible. In addition, there are a number of ongoing programs funded through fee revenue generated through the medical marijuana program that would be left without adequate revenues. General Fund could be required to continue these programs or the programs would need to be reduced or discontinued; these are core public health programs, including state support for local public health departments, the Safe Drinking Water Program, Emergency Medical Services, and others.

It is anticipated that there will be no fiscal impact or a minimal fiscal impact to other agencies, including the Department of Revenue, the Department of Agriculture, counties, and cities. Ultimately, all marijuana-related legislation will have to be reviewed to determine costs to marijuana programs.