

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 2198 - A39

79th Oregon Legislative Assembly – 2017 Regular Session
Legislative Fiscal Office

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

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Measure Description:

Establishes the Oregon Cannabis Commission within the Oregon Health Authority.

Government Unit(s) Affected:

Oregon Liquor Control Commission (OLCC), Oregon Health Authority (OHA), Oregon Judicial Department (OJD), Department of Public Safety Standards and Training (DPSST)

Summary of Expenditure and Revenue Impact:

See Analysis

Analysis:

House Bill 2198 with the - A39 amendment:

- Appropriates \$250,000 General Fund to the Oregon Health Authority.
- Establishes the nine-member Oregon Cannabis Commission (OCC) within the Oregon Health Authority (OHA). The bill specifies the membership and term of office for each member. OHA is directed to provide staff support for the Commission. The bill charges the Commission with determining the possible framework for the future governance of the Oregon Medical Marijuana Program. The Commission is required to report its findings and recommendations to the Legislature by December 15, 2017. In addition, the Oregon Cannabis Commission is required to provide advice to the Oregon Liquor Control Commission (OLCC) regarding medical marijuana. The bill specifies that the Advisory Committee must meet at least once every quarter.
- Repeals the Advisory Committee on Medical Marijuana.
- Allows marijuana grow sites to transfer up to 20 pounds of usable marijuana per year to a recreational marijuana processor or wholesaler if: (1) the transfer is tracked by METRC Cannabis Tracking System; (2) is coming from a grow site with more than 12 plants; (3) the usable marijuana was assigned to the person responsible for the grow site by the Oregon Medical Marijuana Program (OMMP) patient; (4) the marijuana was tested; and (5) the grow site was registered with OHA prior to the effective date of the act.
- Authorizes OLCC to issue an order to temporarily reduce or suspend the amount of marijuana that can be transferred into the recreational market by OMMP growers if supply exceeds customer demand and if the market will not self-correct.
- Clarifies the powers of an OMMP caregiver.
- Permits OLCC to issue restricted licenses and require mandatory training for licensees or licensee representative if it makes certain findings against the licensee or applicant.
- Limits mature marijuana plants allowable at an address not registered as a marijuana grow site at six, if there is one OMMP patient at the address, ten if there is one OMMP patient and at least one more person above the age of 21 at the address, and twelve if there are two OMMP patients at the address. The number of immature marijuana plants at or more than 24 inches tall would be limited to two for every one mature marijuana plant.
- Prohibits OHA and OLCC from requiring a marijuana grow site to use a security system.
- Permits marijuana retailers to be placed within 1,000 feet of a school if they are not located within 500 feet of a school and the OLCC determines there is a physical or geographic barrier preventing children from accessing the marijuana retailer.
- Prescribes forms of evidence sufficient to establish the address of a marijuana grow site.
- Directs OLCC to monitor the lawful transfer of usable marijuana.

Oregon Health Authority (OHA)

	2017-19 Biennium	2019-21 Biennium
Personal Services	\$187,631	\$187,631
Services and Supplies	62,369	62,369
Total General Fund	\$250,000	\$250,000
Positions	2	2
FTE	1.00	1.00

In order to support the Oregon Cannabis Commission, the Oregon Medical Marijuana Program (OMMP) within OHA anticipates establishing two positions:

- One Operations & Policy Analyst 1 position (0.50 FTE) to attend all meetings, assist with report writing, research, and the development of the strategic plans for cannabis availability as therapeutic options, involved in the research of cannabis.
- One Administrative Specialist 1 position (0.5 FTE) to handle all meeting arrangements, logistics, travel, minutes, report typing and support, attendance at meetings, availability for subgroups, assisting the research aspect with minutes, and support.

The services and supplies amount includes \$62,369 per biennium to cover meeting expenses including reimbursing Commission members for travel, assuming the Commission will meet an average of two times a month.

In addition to this quantifiable fiscal impact of supporting the Oregon Cannabis Commission, the impact of this bill on the Oregon Medical Marijuana Program within OHA is indeterminate. Please see the OLCC analysis below.

Oregon Liquor Control Commission (OLCC)

Note: Revenue as well as corresponding staffing and expenditure numbers are indeterminate, at this time. The table below with its footnotes to guide the narrative following the table serves as a graphical display to assist with the discussion regarding the variables that will affect revenue stream.

	2017-19 Biennium	2019-21 Biennium
Oregon Liquor Control Commission		
OHA-Imposed Tracking System Fee	R1	R1
OLCC Licensing Fees	R4	R4
TOTAL OTHER FUNDS		
Oregon Health Authority		
OHA-Imposed Tracking System Fee	R1	R1
OHA-Imposed Tracking System Fee transfer to OLCC	R1	R1
OHA OMMP Registration Fees	R5	R5
TOTAL OTHER FUNDS		

The full revenue as well as corresponding staffing and expenditure impact of this bill to OHA and OLCC is indeterminate, and dependent on two main variables that also hinge on whether SB 1057 becomes law:

- ◆ The additional number of medical growers that will choose to register for the METRC Cannabis Tracking System in order to take advantage of the option to transfer up to 20 pounds of usable marijuana per year to a recreational marijuana processor or wholesaler; and
- ▲ Whether these medical growers will elect to remain with OHA medical licensure versus the number that will opt to fully migrate to OLCC licensure, and the timing of this migration.

SB 1057 directs OHA to enter into an agreement with OLCC to track marijuana plants and products produced in the medical marijuana system including propagation of immature plants, production of grow

operations, processing of marijuana concentrates and extracts, and the transfer of these products to a medical marijuana card holder. The bill allows OHA to charge a fee to cover the costs of this tracking system. OHA would propose to charge growers, processors, and dispensaries a fee of \$480 annually to cover the cost for using the METRC Cannabis Tracking System. If additional growers currently registered with the Oregon Health Authority's OMMP program opt to pay this fee in order to take advantage of the option to transfer up to 20 pounds of usable marijuana per year to a recreational marijuana processor or wholesaler, then revenue from OHA-imposed Tracking System Fees^{R1} would see an increase; these moneys would be transferred to OLCC.

^{R4, R5} However, if additional growers opt to fully migrate to OLCC licensure, there would be no increase in revenue from the OHA-imposed Tracking System Fee^{R1} as well as a decrease in revenue from OHA OMMP Registration Fees^{R5}. Correspondingly, revenue from OLCC Licensing Fees^{R4} category would likely increase.

The Legislative Fiscal Office (LFO) notes that the variables described above are intricately tied to the fiscal impact of SB 1057. Therefore, as noted in the fiscal impact statement for SB 1057, LFO anticipates establishing a preliminary budget for OHA and OLCC to address the potential impact of these variables with the expectation that each agency's budget will be revised after OHA and OLCC return to the Legislature with updated licensee numbers, staffing needs, as well as corresponding expenditure and revenue estimates after the January 1, 2018 deadline by which growers, processors, and dispensaries must file an application with OLCC if they elect to fully migrate to OLCC licensure.

Oregon Judicial Department (OJD)

The fiscal impact of this measure on OJD is minimal. Any person affected by agency orders resulting from this bill would have the right to appeal to the Oregon Court of Appeals, and possibly the Oregon Supreme Court. This could result in an increase in cases in Oregon courts. However, OJD anticipates the agency can absorb this increase within existing resources.

Department of Public Safety Standards and Training (DPSST)

The fiscal impact of this measure to DPSST is minimal. Under current practice, DPSST offers a four-week Basic Academy that can be customized, using existing DPSST staff and resources, to add marijuana specific content within the existing curriculum for OLCC.