

**REVENUE IMPACT OF
PROPOSED LEGISLATION
79th Oregon Legislative Assembly
2017 Regular Session
Legislative Revenue Office**

Bill Number:	SB 1057 - A
Revenue Area:	Marijuana Revenue
Economist:	Mazen Malik
Date:	05-03-2017

Only Impacts on Original or Engrossed Versions are Considered Official

Measure Description:

Provides Oregon Liquor Control Commission with additional power to enforce state marijuana laws.

Revenue Impact (in \$Millions):

	2017-19	2019-21	2021-23
Reduction in marijuana tax revenue distributions	(\$9.3)	(\$10.0)	(\$10.0)

Revenue available for distribution is expected to be \$89 million in the average biennium. This measure will reduce these amounts by about \$10 per biennium. On the other hand, enforcement is expected to increase revenue by about \$1 to \$3 million a year. It is likely however, that the costs could turn out to be lower, and the benefits on revenue of this measure (\$3 million a year) could prove to be stronger.

Impact Explanation:

The measure allocates \$1,800,000 from marijuana tax revenues to OLCC to cover startup costs of the medical marijuana tracking system. It also provides for an amount up to \$1,250,000 per quarter from marijuana tax revenues to OLCC for ongoing operating costs related to tracking medical marijuana growers, processors, and dispensaries. The 17-19 estimate is based on 18 months. The precise amount of this quarterly distribution will be determined in consultation with LFO based on agency need as dictated by the number of medical growers, processors, and dispensaries that enroll in the METRC Cannabis Tracking System.

The move from OHA to full OLCC licensure will result in a reduction in registration fee revenues for the Oregon Medical Marijuana Program. Assuming all medical growers with 3 or 4 patients as well as all processors dispensaries will elect to migrate to full OLCC licensure by July 1, 2018, OHA projects a loss of revenue totaling \$2,862,600 for the 2017-19 biennium, and \$5,725,200 for the 2019-21 biennium. However, the revenue generated by fees will be used mostly to fund the functions of registration and enlisting the different categories of providers and patients.

It is important to note that the increased centralization and enforcement of production points, while tightening the distribution channel will result in more pressure on the grey/black market and result in more supplies being sold through the legal channels. That gain in market share for the legal products, will likely increase revenue by a million a year in the first year and increase that return by about \$1/2 more million a year for the coming six years. It is assumed that by the year 2022 this bill will increase marijuana revenue by about \$3 million a year.

Creates, Extends, or Expands Tax Expenditure: Yes No