

Enrolled
Senate Bill 1544

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CHAPTER

AN ACT

Relating to marijuana; creating new provisions; amending ORS 305.260, 475B.109, 475B.136, 475B.139, 475B.227, 475B.630, 475B.813, 475B.831, 475B.864 and 475B.895 and sections 4 and 5, chapter 613, Oregon Laws 2017; and prescribing an effective date.

Be It Enacted by the People of the State of Oregon:

MARIJUANA TAXATION

SECTION 1. ORS 305.620 is amended to read:

305.620. (1)(a) Any state agency or department may enter into agreements with any political subdivision of this state for the collection, enforcement, administration and distribution of local taxes of the political subdivision imposed upon or measured by gross or net income, wages or net earnings from self-employment, local general sales and use taxes, local transient lodging taxes or taxes imposed under ORS 475B.491.

(b) Notwithstanding ORS 314.835, a local government may disclose payment distribution amounts made pursuant to an agreement under this subsection to collect taxes imposed under ORS 475B.491.

(2) The department or agency shall prescribe the rules by which the agreements entered into under subsection (1) of this section are administered.

(3) The department or agency shall prescribe the rules by which the taxes described by subsection (1) of this section are administered, collected, enforced and distributed.

(4) A political subdivision may appear as an intervenor at any conference held by the Department of Revenue or conference, hearing or proceeding held by another department or agency in connection with a local tax administered by the department or agency. The political subdivision may be represented by its own counsel. The department or agency shall adopt rules governing the procedures to be followed by the political subdivision in making an appearance.

(5) Costs incurred by the department or agency in the administration, enforcement, collection and distribution of taxes under the agreements entered into under subsection (1) of this section shall be first deducted from the taxes collected before distribution is made to the political subdivision which is a party to the agreement.

(6) The Oregon Tax Court shall have exclusive jurisdiction to review determinations of the Department of Revenue or orders of another department or agency relating to the collection, enforce-

ment, administration and distribution of local taxes under agreements entered into under subsection (1) of this section.

(7) A proceeding for refund or to set aside additional taxes or taxes assessed when no return was filed may be initiated before the state agency or department.

(8) An appeal from a determination or an order may be taken by the taxpayer or by the political subdivision whose taxes are in issue, by filing a complaint with the clerk of the Oregon Tax Court at its principal office in Salem, Oregon, within 60 days after the notice of the determination of the Department of Revenue or the order of the department or agency is sent to the taxpayer or the political subdivision. The filing of the complaint in the Oregon Tax Court shall constitute perfection of the appeal. Service of the taxpayer's complaint shall be accomplished by the clerk of the tax court by filing a copy of the complaint with the administrative head of the department or agency and a copy with the political subdivision. Service of the political subdivision's complaint shall be accomplished by the clerk of the tax court by filing a copy of the complaint with the administrative head of the department or agency and mailing a copy of the complaint to the taxpayer. The complaint of a taxpayer shall be entitled in the name of the person filing as plaintiff and the department or agency as defendant. The complaint of a political subdivision shall be entitled in the name of the political subdivision as plaintiff and the taxpayer and the department or agency as defendants. A copy of the order of the department or agency shall be attached to the complaint. All procedures shall be in accordance with ORS 305.405 to 305.494.

MARIJUANA GROW SITES AND PLANTS

SECTION 2. ORS 475B.136 is amended to read:

475B.136. (1) To produce marijuana for medical purposes, a marijuana producer that holds a license issued under ORS 475B.070 must register with the Oregon Liquor Control Commission under this section.

(2) The commission shall register a marijuana producer for the purpose of producing marijuana for medical purposes if the marijuana producer:

- (a) Holds a license issued under ORS 475B.070;
- (b) Meets any qualifications adopted by the commission by rule;
- (c) Applies to the commission in a form and manner prescribed by the commission; and
- (d) Pays any fee adopted by the commission by rule.

(3) Subject to subsection (4) of this section, a marijuana producer registered under this section may produce marijuana plants on a medically designated grow canopy in addition to producing marijuana plants on the grow canopy allowed under rules adopted under ORS 475B.085. The commission shall specify the size of medically designated grow canopies by rule, provided that the size of any medically designated grow canopy does not exceed 10 percent of the total size of both the medically designated grow canopy and the grow canopy allowed under rules adopted under ORS 475B.085 at the time that the marijuana producer applies for registration under this section.

(4) A marijuana producer registered under this section must provide, for no consideration, at least 75 percent of the annual yield of usable marijuana harvested from the marijuana producer's medically designated grow canopy to registry identification cardholders and designated primary caregivers.

(5) A marijuana producer registered under this section may not, during a single transaction, provide a registry identification cardholder or the designated primary caregiver of a registry identification cardholder an amount of usable marijuana that exceeds the amount of usable marijuana that a registry identification cardholder and a designated primary caregiver may jointly possess under ORS 475B.834.

(6) A marijuana producer registered under this section may provide immature marijuana plants to a person responsible for a marijuana grow site registered under ORS 475B.810, a registry identification cardholder or a designated primary caregiver of a registry identification cardholder.

[(6)(a)] **(7)(a)** The commission shall adopt rules necessary to administer this section.

(b) The rules must establish sanctions for failure to meet the requirements of this section or a rule adopted under this section, including revocation of permission for the marijuana producer's medically designated grow canopy.

(c) The rules must provide that any fee adopted by the commission under subsection (2)(d) of this section be in an amount reasonably calculated to not exceed, together with other fees collected under ORS 475B.010 to 475B.545, the cost of administering ORS 475B.010 to 475B.545.

SECTION 3. ORS 475B.139 is amended to read:

475B.139. (1) To process marijuana for medical purposes, a marijuana processor that holds a license issued under ORS 475B.090 must register with the Oregon Liquor Control Commission under this section.

(2) The commission shall register a marijuana processor for the purpose of processing marijuana for medical purposes if the marijuana processor:

- (a) Holds a license issued under ORS 475B.090;
- (b) Meets any qualifications adopted by the commission by rule;
- (c) Applies to the commission in a form and manner prescribed by the commission; and
- (d) Pays any fee adopted by the commission by rule.

(3) A marijuana processor registered under this section may:

(a) Process marijuana and usable marijuana into medical grade cannabinoid products, cannabinoid concentrates and cannabinoid extracts; and

(b) Notwithstanding ORS 475B.206, receive marijuana and usable marijuana from, and for a fee process that marijuana and usable marijuana into cannabinoid products, cannabinoid concentrates and cannabinoid extracts for, a registry identification cardholder or the designated primary caregiver of a registry identification cardholder, provided that the cannabinoid products, cannabinoid concentrates and cannabinoid extracts meet the requirements of ORS 475B.550 to 475B.590 and **the concentration standards adopted under ORS 475B.625.**

(4)(a) The commission shall adopt rules necessary to administer this section.

(b) The rules must provide that any fee adopted by the commission under subsection (2)(d) of this section be in an amount reasonably calculated to not exceed, together with other fees collected under ORS 475B.010 to 475B.545, the cost of administering ORS 475B.010 to 475B.545.

SECTION 4. ORS 475B.630 is amended to read:

475B.630. (1) ORS 475B.600 to 475B.655 do not apply to:

[(1)] **(a)** A person responsible for a marijuana grow site under ORS 475B.810 if the person is transferring usable marijuana or an immature marijuana plant, as defined in ORS 475B.015, to:

[(a)] **(A)** A person who holds a registry identification card under ORS 475B.797 and who designated the person responsible for the marijuana grow site to grow marijuana for the person who holds a registry identification card; or

[(b)] **(B)** A person who has been designated as the primary caregiver under ORS 475B.804 of a person who holds a registry identification card under ORS 475B.797, and who designated the person responsible for the marijuana grow site to grow marijuana for the person who holds a registry identification card; or

[(2)] **(b)** A person who has been designated as the primary caregiver under ORS 475B.804 of a person who holds a registry identification card under ORS 475B.797 if the person is transferring a marijuana item to the person who holds a registry identification card.

(2) The labeling and packaging requirements and standards of ORS 475B.600 to 475B.655 do not apply to a marijuana processor registered under ORS 475B.139 when the marijuana processor receives marijuana and usable marijuana from, and for a fee processes that marijuana and usable marijuana into cannabinoid products, cannabinoid concentrates and cannabinoid extracts for, a registry identification cardholder or the designated primary caregiver of a registry identification cardholder.

SECTION 5. ORS 475B.813 is amended to read:

475B.813. (1) For purposes of ORS 475B.785 to 475B.949, *[the following forms of evidence shall be sufficient to establish the address where a marijuana grow site is located:]*

[(a) A tax lot number;]

[(b) An assessor's map number with a map attached, showing the exact location of the marijuana grow site; or]

[(c) The exact location of the marijuana grow site using one or more of the following:] **if a marijuana grow site has a physical United States Postal Service address, an application filed for a marijuana grow site registration card under ORS 475B.810 must include the physical address. If the grow site does not have a physical United States Postal Service address, the application must include:**

(a) An assessor's map number with a map showing the exact location of the grow site;

(b) The name of the city or, if outside of a city, the name of the county in which the grow site is located;

(c) The zip code for the location; and

(d) One or more of the following for the location:

(A) Longitude and latitude coordinates;

(B) Township coordinates; *[or]*

(C) Global positioning system coordinates[.]; **or**

(D) The tax lot number.

(2) For purposes of ORS 475B.810, the Oregon Health Authority shall accept the forms of evidence described in subsection (1) of this section for the purpose of establishing the address where a marijuana grow site is located.

SECTION 6. ORS 475B.831 is amended to read:

475B.831. (1)(a) A registry identification cardholder and the designated primary caregiver of the registry identification cardholder may jointly possess:

(A) Six or fewer mature marijuana plants; and

(B) Twelve or fewer immature marijuana plants.

(b)(A) Unless an address is the marijuana grow site of a person designated to produce marijuana by a registry identification cardholder, the address where a registry identification cardholder or the primary caregiver of a registry identification cardholder produces marijuana may be used to produce not more than:

(i) Six or fewer mature marijuana plants per registry identification cardholder, up to 12 mature marijuana plants; and

(ii) Twelve or fewer immature marijuana plants per registry identification cardholder, up to 24 immature marijuana plants.

(B) Except as provided in subparagraph (C) of this paragraph, an address that is subject to this paragraph may not be used to produce marijuana plants pursuant to ORS 475B.301.

(C) Subject to subparagraph (D) of this paragraph, an address that is subject to this paragraph may be used to produce marijuana plants pursuant to ORS 475B.301 if a person other than a registry identification cardholder who is using the address to produce marijuana plants pursuant to ORS 475B.785 to 475B.949 resides at the address.

(D) An address that is subject to this paragraph may not be used to produce more than 12 total mature marijuana plants.

(2)(a) A person may be designated to produce marijuana under ORS 475B.810 by no more than *[four]* **eight** registry identification cardholders.

[(b) A person who is designated to produce marijuana by a registry identification cardholder may produce no more than six mature marijuana plants and no more than 12 immature marijuana plants that are 24 inches or more in height for a registry identification cardholder who designates the person to produce marijuana.]

(b) A person responsible for a marijuana grow site may produce for a registry identification cardholder who designates the person to produce marijuana no more than:

(A) Six mature marijuana plants;

(B) 12 immature marijuana plants that are 24 inches or more in height; and

(C) The amount, established by the Oregon Health Authority by rule, of immature marijuana plants that are less than 24 inches in height.

(3) If the address of a person responsible for a marijuana grow site **registered** under ORS 475B.810 is located within city limits in an area zoned for residential use:

(a) Except as provided in paragraph (b) of this subsection, no more than **the following amounts of marijuana plants may be produced at the address:**

(A) 12 mature marijuana plants [and no more than];

(B) 24 immature marijuana plants that are 24 inches or more in height [may be produced at the address; or]; and

(C) The amount, established by the authority by rule, of immature marijuana plants that are less than 24 inches in height; or

(b) Subject to subsection (5) of this section, if each person responsible for a marijuana grow site located at the address first registered with the [Oregon Health] authority under ORS 475B.810 before January 1, 2015[.],

[(A)] no more than the **following amounts of marijuana plants may be produced at the address:**

(A) The amount of mature marijuana plants located at that address on December 31, 2014, in excess of 12 mature marijuana plants, not to exceed 24 mature marijuana plants[, may be produced at the address; and];

(B) [No more than] 48 immature marijuana plants that are 24 inches or more in height [may be produced at the address.]; and

(C) The amount, established by the authority by rule, of immature marijuana plants that are less than 24 inches in height.

(4) If the address of a person responsible for a marijuana grow site **registered** under ORS 475B.810 is located in an area other than an area described in subsection (3) of this section:

(a) Except as provided in paragraph (b) of this subsection, no more than **the following amounts of marijuana plants may be produced at the address:**

(A) 48 mature marijuana plants [and no more than];

(B) 96 immature marijuana plants that are 24 inches or more in height [may be produced at the address; or]; and

(C) The amount, established by the authority by rule, of immature marijuana plants that are less than 24 inches in height; or

(b) Subject to subsections (5) and (6) of this section, if each person responsible for a marijuana grow site located at the address first registered with the authority under ORS 475B.810 before January 1, 2015[.],

[(A)] no more than the **following amounts of marijuana plants may be produced at the address:**

(A) The amount of mature marijuana plants located at that address on December 31, 2014, in excess of 48 mature marijuana plants, not to exceed 96 mature marijuana plants[, may be produced at the address; and];

(B) [No more than] 192 immature marijuana plants that are 24 inches or more in height [may be produced at the address.]; and

(C) The amount, established by the authority by rule, of immature marijuana plants that are less than 24 inches in height.

[(5) If the authority suspends or revokes the registration of a person responsible for a marijuana grow site that is located at an address described in subsection (3)(b) or (4)(b) of this section:]

[(a) No more than 12 mature marijuana plants and no more than 24 immature marijuana plants that are 24 inches or more in height may be subsequently produced at any address described in subsection (3) of this section at which the person responsible for that marijuana grow site produces marijuana.]

[(b) No more than 48 mature marijuana plants and no more than 96 immature marijuana plants that are 24 or more inches in height may be subsequently produced at any address described in Subsection (4) of this section at which the person responsible for that marijuana grow site produces marijuana.]

(5)(a) If the authority suspends or revokes the registration of a person responsible for a marijuana grow site that is located at an address described in subsection (3)(b) of this section, no more than the following amounts of marijuana plants may subsequently be produced at any address described in subsection (3) of this section at which the person responsible for the marijuana grow site produces marijuana:

(A) 12 mature marijuana plants;

(B) 24 immature marijuana plants that are 24 inches or more in height; and

(C) The amount, established by the authority by rule, of immature marijuana plants that are less than 24 inches in height.

(b) If the authority suspends or revokes the registration of a person responsible for a marijuana grow site that is located at an address described in subsection (4)(b) of this section, no more than the following amounts of marijuana plants may subsequently be produced at any address described in subsection (4) of this section at which the person responsible for the marijuana grow site produces marijuana:

(A) 48 mature marijuana plants;

(B) 96 immature marijuana plants that are 24 inches or more in height; and

(C) The amount, established by the authority by rule, of immature marijuana plants that are less than 24 inches in height.

(6) If a registry identification cardholder who designated a person to produce marijuana for the registry identification cardholder pursuant to ORS 475B.810 terminates the designation, the person responsible for the marijuana grow site whose designation has been terminated may not be designated to produce marijuana by another registry identification cardholder, except that the person may be designated by another registry identification cardholder if no more than 48 mature marijuana plants and no more than 96 immature marijuana plants that are 24 or more inches in height are produced at the address for the marijuana grow site at which the person produces marijuana.

(7) Subject to the limits described in subsections (2) to (6) of this section, if multiple persons responsible for a marijuana grow site under ORS 475B.810 are located at the same address, the persons designated to produce marijuana by registry identification cardholders who are located at that address may collectively produce marijuana plants for any number of registry identification cardholders who designate the persons to produce marijuana.

(8) If a law enforcement officer determines that there is a number of marijuana plants at an address in excess of the quantities specified in this section, or that an address is being used to produce a number of marijuana plants in excess of the quantities specified in subsection (1)(b) of this section, the law enforcement officer may confiscate only the excess number of marijuana plants.

SECTION 7. ORS 475B.895 is amended to read:

475B.895. (1) The Oregon Health Authority shall enter into an agreement with the Oregon Liquor Control Commission under which the commission shall use the system developed and maintained under ORS 475B.177 to track:

(a) The propagation of immature marijuana plants and the production of marijuana by marijuana grow sites;

(b) The processing of marijuana into medical cannabinoid products, cannabinoid concentrates and cannabinoid extracts that are transferred to a medical marijuana dispensary;

(c) The transfer of usable marijuana, immature marijuana plants, medical cannabinoid products, cannabinoid concentrates and cannabinoid extracts by a marijuana grow site or a medical marijuana dispensary to a registry identification cardholder or the designated primary caregiver of a registry identification cardholder; and

(d) The transfer of usable marijuana, immature marijuana plants, medical cannabinoid products, cannabinoid concentrates and cannabinoid extracts between marijuana grow sites, marijuana processing sites and medical marijuana dispensaries.

(2) Marijuana grow sites, marijuana processing sites, medical marijuana dispensaries and any other person that processes marijuana into medical cannabinoid products and cannabinoid concentrates for the purpose of transferring the medical cannabinoid products and cannabinoid concentrates to a medical marijuana dispensary are subject to tracking under this section.

(3) On and after the date on which a marijuana grow site becomes subject to tracking under this section, the person is exempt from the requirements of ORS 475B.816 and the provisions of ORS 475B.810 that relate to ORS 475B.816.

(4) On and after the date on which a marijuana processing site becomes subject to tracking under this section, the marijuana processing site is exempt from the requirements of ORS 475B.846 and the provisions of ORS 475B.840 that relate to ORS 475B.846.

(5) On and after the date on which a medical marijuana dispensary becomes subject to tracking under this section, the medical marijuana dispensary is exempt from the requirements of ORS 475B.867 and the provisions of ORS 475B.858 that relate to ORS 475B.867.

(6) The commission may conduct inspections and investigations of alleged violations of ORS 475B.785 to 475B.949 about which the commission obtains knowledge as a result of performing the commission's duties under this section. Notwithstanding ORS 475B.299, the commission may use regulatory specialists, as defined in ORS 471.001, to conduct the inspections and investigations, including inspections and investigations of marijuana grow sites located at a primary residence.

[(7) Notwithstanding ORS 475B.759, before making any other distribution from the Oregon Marijuana Account established under ORS 475B.759, the Department of Revenue shall first distribute moneys quarterly from the account to the commission for deposit in the Marijuana Control and Regulation Fund established under ORS 475B.296 for purposes of paying administrative, inspection and investigatory costs incurred by the commission under this section, provided that the amount of distributed moneys does not exceed \$1.25 million per quarter. For purposes of estimating the amount of moneys necessary to pay costs incurred under this section, the commission shall establish a formulary based on expected costs for each marijuana grow site, marijuana processing site or medical marijuana dispensary that is tracked under this section. The commission shall provide to the Department of Revenue and the Legislative Fiscal Officer before each quarter the estimated amount of moneys necessary to pay costs expected to be incurred under this section and the formulary.]

[(8)] (7) When imposing a fee on a person responsible for a marijuana grow site, marijuana processing site or medical marijuana dispensary under ORS 475B.810, 475B.840 or 475B.858, the authority shall impose *[an additional]* a fee that is reasonably calculated to pay costs incurred under this section *[other than costs paid pursuant to subsection (7) of this section]*. As part of the agreement entered into under subsection (1) of this section, the authority shall transfer fee moneys collected pursuant to this subsection to the commission for deposit in the Marijuana Control and Regulation Fund established under ORS 475B.296. Moneys collected pursuant to this subsection and deposited in the Marijuana Control and Regulation Fund are continuously appropriated to the commission for purposes of this section.

[(9)] (8) The authority and the commission may adopt rules as necessary to administer this section.

[(10)] (9) This section does not apply to a marijuana grow site located at an address where:

(a) A registry identification cardholder produces marijuana and no more than 12 mature marijuana plants and 24 immature marijuana plants are produced *[at the address]*; or

(b)(A) No more than two persons are registered under ORS 475B.810 to produce marijuana; and

(B) The address is used to produce marijuana for no more than two registry identification cardholders.

SECTION 7a. ORS 475B.895, as amended by section 7 of this 2018 Act, is amended to read:

475B.895. (1) The Oregon Health Authority shall enter into an agreement with the Oregon Liquor Control Commission under which the commission shall use the system developed and maintained under ORS 475B.177 to track:

(a) The propagation of immature marijuana plants and the production of marijuana by marijuana grow sites;

(b) The processing of marijuana into medical cannabinoid products, cannabinoid concentrates and cannabinoid extracts that are transferred to a medical marijuana dispensary;

(c) The transfer of usable marijuana, immature marijuana plants, medical cannabinoid products, cannabinoid concentrates and cannabinoid extracts by a marijuana grow site or a medical marijuana dispensary to a registry identification cardholder or the designated primary caregiver of a registry identification cardholder; and

(d) The transfer of usable marijuana, immature marijuana plants, medical cannabinoid products, cannabinoid concentrates and cannabinoid extracts between marijuana grow sites, marijuana processing sites and medical marijuana dispensaries.

(2) Marijuana grow sites, marijuana processing sites, medical marijuana dispensaries and any other person that processes marijuana into medical cannabinoid products and cannabinoid concentrates for the purpose of transferring the medical cannabinoid products and cannabinoid concentrates to a medical marijuana dispensary are subject to tracking under this section.

(3) On and after the date on which a marijuana grow site becomes subject to tracking under this section, the person is exempt from the requirements of ORS 475B.816 and the provisions of ORS 475B.810 that relate to ORS 475B.816.

(4) On and after the date on which a marijuana processing site becomes subject to tracking under this section, the marijuana processing site is exempt from the requirements of ORS 475B.846 and the provisions of ORS 475B.840 that relate to ORS 475B.846.

(5) On and after the date on which a medical marijuana dispensary becomes subject to tracking under this section, the medical marijuana dispensary is exempt from the requirements of ORS 475B.867 and the provisions of ORS 475B.858 that relate to ORS 475B.867.

(6) The commission may conduct inspections and investigations of alleged violations of ORS 475B.785 to 475B.949 about which the commission obtains knowledge as a result of performing the commission's duties under this section. Notwithstanding ORS 475B.299, the commission may use regulatory specialists, as defined in ORS 471.001, to conduct the inspections and investigations, including inspections and investigations of marijuana grow sites located at a primary residence.

(7) Notwithstanding ORS 475B.759, before making any other distribution from the Oregon Marijuana Account established under ORS 475B.759, the Department of Revenue shall first distribute moneys quarterly from the account to the commission for deposit in the Marijuana Control and Regulation Fund established under ORS 475B.296 for purposes of paying administrative, inspection and investigatory costs incurred by the commission under this section, provided that the amount of distributed moneys does not exceed \$1.25 million per quarter. For purposes of estimating the amount of moneys necessary to pay costs incurred under this section, the commission shall establish a formulary based on expected costs for each marijuana grow site, marijuana processing site or medical marijuana dispensary that is tracked under this section. The commission shall provide to the Department of Revenue and the Legislative Fiscal Officer before each quarter the estimated amount of moneys necessary to pay costs expected to be incurred under this section and the formulary.

[(7)] (8) When imposing a fee on a person responsible for a marijuana grow site, marijuana processing site or medical marijuana dispensary under ORS 475B.810, 475B.840 or 475B.858, the authority shall impose [a] **an additional** fee that is reasonably calculated to pay costs incurred under this section **other than costs paid pursuant to subsection (7) of this section**. As part of the agreement entered into under subsection (1) of this section, the authority shall transfer fee moneys collected pursuant to this subsection to the commission for deposit in the Marijuana Control and Regulation Fund established under ORS 475B.296. Moneys collected pursuant to this subsection and

deposited in the Marijuana Control and Regulation Fund are continuously appropriated to the commission for purposes of this section.

[8] (9) The authority and the commission may adopt rules as necessary to administer this section.

[9] (10) This section does not apply to a marijuana grow site located at an address where:

(a) A registry identification cardholder produces marijuana and no more than 12 mature marijuana plants and 24 immature marijuana plants are produced; or

(b)(A) No more than two persons are registered under ORS 475B.810 to produce marijuana; and

(B) The address is used to produce marijuana for no more than two registry identification cardholders.

SECTION 8. The fact that a marijuana grow site registered under ORS 475B.810 is subject to the provisions of ORS 475B.895 does not, by itself, mean that the marijuana grow site is a commercial operation for purposes of state law.

OREGON CANNABIS COMMISSION

SECTION 9. Section 4, chapter 613, Oregon Laws 2017, is amended to read:

Sec. 4. (1) As soon as practicable after *[the effective date of this 2017 Act]* **August 2, 2017**, the Oregon Cannabis Commission shall determine:

(a) A possible framework for the future governance of the Oregon Medical Marijuana Program, including:

(A) Proper oversight and regulation of each of the following:

(i) Registry identification cardholders and designated primary caregivers, as those terms are defined in ORS 475B.410;

(ii) Attending physicians, as defined in ORS 475B.410;

(iii) Marijuana grow sites, as defined in ORS 475B.410;

(iv) Marijuana processing sites, as defined in ORS 475B.410; and

(v) Medical marijuana dispensaries, as defined in ORS 475B.410;

(B) Necessary amendments to the laws of the state pertaining to cannabis, including any necessary amendments to ORS 475B.010 to 475B.395 and 475B.400 to 475B.525; and

(C) The future role of the commission with respect to the possible framework.

(b) Steps that the state must take, whether administrative or legislative in nature, to ensure that research on cannabis and cannabis-derived products is being conducted for public purposes, including the advancement of:

(A) Public health policy and public safety policy;

(B) Agronomic and horticultural best practices; and

(C) Medical and pharmacopoeia best practices.

(2) In determining the possible framework for the future governance of the Oregon Medical Marijuana Program under subsection (1)(a) of this section, the commission shall consider:

(a) Potential factors that could prevent access to cannabis for medical use;

(b) Potential laws and rules that will facilitate access to cannabis for medical use; and

(c) The impact of federal laws, regulations and policies on the possible framework.

(3) On or before *[December 15, 2017]* **February 1, 2019**, the commission shall submit a report in the manner prescribed by ORS 192.245 to the interim committees of the Legislative Assembly related to health and judiciary on the findings and determinations made by the commission under subsection (1) of this section. As part of the report, the commission may make recommendations for legislation.

(4) For purposes of making recommendations for legislation under subsection (3) of this section, after *[the effective date of this 2017 Act]* **August 2, 2017**, and on or before *[December 15, 2017]* **February 1, 2019**, the commission may request an interim committee of the Legislative Assembly related to health or judiciary to direct the Legislative Counsel to prepare legislative concepts for the commission's consideration.

SECTION 10. Section 5, chapter 613, Oregon Laws 2017, is amended to read:

Sec. 5. Section 4 [of this 2017 Act], chapter 613, Oregon Laws 2017, is repealed on [July 1, 2018] January 2, 2020.

PROXIMITY TO SCHOOLS

SECTION 11. ORS 475B.109 is amended to read:

475B.109. Notwithstanding ORS 475B.105 (2)(d), a marijuana retailer may be located within 1,000 feet of a school if:

(1)(a) The marijuana retailer is not located within 500 feet of:

[(a)] (A) A public elementary or secondary school for which attendance is compulsory under ORS 339.020; or

[(b)] (B) A private or parochial elementary or secondary school, teaching children as described in ORS 339.030 (1)(a); and

[(2)] (b) The Oregon Liquor Control Commission determines that there is a physical or geographic barrier capable of preventing children from traversing to the premises of the marijuana retailer[.]; or

(2) The marijuana retailer was established before August 1, 2017, in accordance with a city or county ordinance adopted under section 29b, chapter 83, Oregon Laws 2016.

SECTION 12. ORS 475B.864 is amended to read:

475B.864. Notwithstanding ORS 475B.858 (3)(d), a medical marijuana dispensary may be located within 1,000 feet of a school if:

(1)(a) The medical marijuana dispensary is not located within 500 feet of:

[(a)] (A) A public elementary or secondary school for which attendance is compulsory under ORS 339.020; or

[(b)] (B) A private or parochial elementary or secondary school, teaching children as described in ORS 339.030 (1)(a); and

[(2)] (b) The Oregon [Liquor Control Commission] **Health Authority** determines that there is a physical or geographic barrier capable of preventing children from traversing to the premises of the medical marijuana dispensary[.]; or

(2) The medical marijuana dispensary was established before August 1, 2017, in accordance with a city or county ordinance adopted under section 29, chapter 83, Oregon Laws 2016.

ILLEGAL MARIJUANA MARKET ENFORCEMENT GRANT PROGRAM

SECTION 13. (1) **The Illegal Marijuana Market Enforcement Grant Program is established to assist cities and counties with the costs incurred by local law enforcement agencies in addressing unlawful marijuana cultivation or distribution operations.**

(2) The Oregon Criminal Justice Commission shall administer the grant program described in subsection (1) of this section and shall award the grants described in this section.

(3) The commission shall adopt rules to administer the grant program. Rules adopted under this section must include:

(a) A methodology for reviewing and approving grant applications and awarding grants; and

(b) A process for evaluating the efficacy of local law enforcement programs and services funded by the grant program.

(4) Moneys distributed to grant recipients under this section must be spent on costs associated with addressing and prosecuting unlawful marijuana cultivation or distribution operations.

(5) The commission shall prioritize the following when awarding grants under this section:

(a) Providing financial assistance to local law enforcement agencies and district attorneys in rural areas of this state to address unlawful marijuana cultivation or distribution operations;

(b) Supporting local law enforcement agencies and district attorneys in investigating and prosecuting large-scale unlawful marijuana cultivation or distribution operations;

(c) Providing financial assistance to local law enforcement agencies and district attorneys in the investigation and prosecution of organized crime involved in unlawful marijuana cultivation or distribution operations; and

(d) Providing financial assistance to local law enforcement agencies and district attorneys in the investigation and prosecution of unlawful marijuana cultivation or distribution operations that divert marijuana outside of this state.

SECTION 14. Not later than January 1, 2020, and not later than January 1 each year thereafter, the Oregon Criminal Justice Commission shall submit a report in the manner provided in ORS 192.245 on the status and effectiveness of the Illegal Marijuana Market Enforcement Grant Program established under section 13 of this 2018 Act to the interim committees of the Legislative Assembly related to the judiciary.

SECTION 15. The Illegal Marijuana Market Enforcement Grant Program Fund is established in the State Treasury separate and distinct from the General Fund. Moneys in the Illegal Marijuana Market Enforcement Grant Program Fund are continuously appropriated to the Oregon Criminal Justice Commission for the purposes of carrying out the provisions of section 13 of this 2018 Act. Interest earned by the fund shall be credited to the fund.

SECTION 16. (1) Notwithstanding ORS 475B.759, before making any other distribution from the Oregon Marijuana Account established under ORS 475B.759, the Department of Revenue shall first distribute quarterly from the account the following:

(a) \$875,000 to the Oregon Liquor Control Commission for deposit in the Marijuana Control and Regulation Fund established under ORS 475B.296; and

(b) \$375,000 to the Oregon Criminal Justice Commission for deposit into the Illegal Marijuana Market Enforcement Grant Program Fund established under section 15 of this 2018 Act for the purposes of paying the costs incurred by the commission in carrying out the provisions of section 13 of this 2018 Act.

(2) The final distribution made under subsection (1) of this section shall be made in the fiscal quarter beginning on October 1, 2023.

SECTION 17. Any balance in the Illegal Marijuana Market Enforcement Grant Program Fund that is unexpended and unobligated on the date of repeal of section 15 of this 2018 Act, and all moneys that would have been deposited in the Illegal Marijuana Market Enforcement Grant Program Fund had section 15 of this 2018 Act remained in effect, shall be transferred to and deposited in the Marijuana Control and Regulation Fund, and are appropriated for expenditure as in the case of other moneys in the Marijuana Control and Regulation Fund.

INDUSTRIAL HEMP PRODUCTS AND COMMODITIES

SECTION 18. Sections 19 and 20 of this 2018 Act are added to and made a part of ORS 475B.010 to 475B.545.

SECTION 19. (1) As used in this section, “industrial hemp” has the meaning given that term in ORS 571.300.

(2) An industrial hemp product or commodity offered for sale by a marijuana retailer that holds a license issued under ORS 475B.105 must carry a label that clearly identifies whether the product or commodity is derived from hemp or marijuana.

(3) The Oregon Liquor Control Commission may inspect the premises of a marijuana retailer that holds a license issued under ORS 475B.105 to ensure compliance with this section.

SECTION 20. (1) As used in this section:

(a) “Consumer” means a person who purchases, acquires, owns, holds or uses marijuana items other than for the purpose of resale.

(b) “Marijuana item” includes industrial hemp products and commodities that contain more than 0.3 percent tetrahydrocannabinol.

(2) A person other than a marijuana retailer that holds a license issued under ORS 475B.105 may not sell marijuana items to a consumer.

SECTION 21. ORS 475B.227 is amended to read:

475B.227. (1) For purposes of this section[,]:

(a) “Export” includes placing a marijuana item in any mode of transportation for hire, such as luggage, mail or parcel delivery, even if the transportation of the marijuana item is intercepted prior to the marijuana item leaving this state.

(b) “Marijuana item” includes industrial hemp products and commodities that contain more than 0.3 percent tetrahydrocannabinol.

(2) A person may not import marijuana items into this state or export marijuana items from this state.

(3) Except as provided in subsection (4) of this section, a violation of this section is a Class B violation.

(4) A violation of this section is a:

(a) Class A misdemeanor, if the importation or exportation:

(A) Is not for consideration and the person holds a license issued under ORS 475B.070, 475B.090, 475B.100 or 475B.105; or

(B) Concerns an amount of marijuana items that exceeds the applicable maximum amount specified in ORS 475B.337 (1)(a) to (f).

(b) Class C felony, if the importation or exportation:

(A) Is for consideration and the person holds a license issued under ORS 475B.070, 475B.090, 475B.100 or 475B.105;

(B) Concerns an amount of marijuana items that exceeds 16 times the applicable maximum amount specified in ORS 475B.337 (1)(a) to (f); or

(C) Concerns a cannabinoid extract that was not purchased from a marijuana retailer that holds a license issued under ORS 475B.105.

UNIT CAPTIONS

SECTION 22. The unit captions used in this 2018 Act are provided only for the convenience of the reader and do not become part of the statutory law of this state or express any legislative intent in the enactment of this 2018 Act.

EXPENDITURE LIMITATIONS

SECTION 23. Notwithstanding any other law limiting expenditures, the limitation on expenditures established by section 2, chapter 505, Oregon Laws 2017, for the biennium ending June 30, 2019, as the maximum limit for payment of expenses from fees, moneys or other revenues, including Miscellaneous Receipts, but excluding lottery funds and federal funds, collected or received by the Oregon Criminal Justice Commission, is increased by \$1,500,000 to administer the Illegal Marijuana Market Enforcement Grant Program established in section 13 of this 2018 Act.

SECTION 24. Notwithstanding any other law limiting expenditures, the limitation on expenditures established by section 1 (2), chapter 578, Oregon Laws 2017, for the biennium ending June 30, 2019, as the maximum limit for payment of expenses from fees, moneys or other revenues, including Miscellaneous Receipts, but excluding lottery funds and federal funds, collected or received by the Oregon Liquor Control Commission for marijuana regu-

lation, is increased by \$600,693 for regulatory and tracking expenses related to medical marijuana.

APPLICABILITY

SECTION 25. The amendments to ORS 475B.813 by section 5 of this 2018 Act apply to applications submitted on or after July 1, 2018.

SUNSET

SECTION 26. Sections 13 to 16 of this 2018 Act are repealed on January 2, 2024.

OPERATIVE DATE

SECTION 27. (1) Sections 8, 13 to 17, 19 and 20 of this 2018 Act and the amendments to ORS 305.260, 475B.109, 475B.136, 475B.139, 475B.227, 475B.630, 475B.813, 475B.831, 475B.864 and 475B.895 and sections 4 and 5, chapter 613, Oregon Laws 2017, by sections 1 to 7, 9 to 12 and 21 of this 2018 Act become operative on July 1, 2018.

(2) The amendments to ORS 475B.895 by section 7a of this 2018 Act become operative on January 2, 2024.

(3) The Oregon Criminal Justice Commission, the Oregon Health Authority, the Oregon Liquor Control Commission and the Department of Revenue may take any action before the operative date specified in subsection (1) of this section that is necessary for the authority, commission or department to exercise, on and after the operative date specified in subsection (1) of this section, all of the duties, functions and powers conferred on the authority, commission or department by sections 8, 13 to 17, 19 and 20 of this 2018 Act and the amendments to ORS 305.260, 475B.109, 475B.136, 475B.139, 475B.227, 475B.630, 475B.813, 475B.831, 475B.864 and 475B.895 and sections 4 and 5, chapter 613, Oregon Laws 2017, by sections 1 to 7, 9 to 12 and 21 of this 2018 Act.

EFFECTIVE DATE

SECTION 28. This 2018 Act takes effect on the 91st day after the date on which the 2018 regular session of the Seventy-ninth Legislative Assembly adjourns sine die.

Passed by Senate March 3, 2018

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Lori L. Brocker, Secretary of Senate

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Peter Courtney, President of Senate

Passed by House March 3, 2018

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Tina Kotek, Speaker of House

Received by Governor:

.....M,....., 2018

Approved:

.....M,....., 2018

.....
Kate Brown, Governor

Filed in Office of Secretary of State:

.....M,....., 2018

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Dennis Richardson, Secretary of State