

## HB 2517 -1 STAFF MEASURE SUMMARY

### House Committee On Revenue

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**Prepared By:** Beau Olen, Economist

**Meeting Dates:** 5/3, 5/16

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#### WHAT THE MEASURE DOES:

Exempts cannabis business firms from first-source hiring agreement requirement in enterprise zones. Takes effect 91st day after sine die.

#### ISSUES DISCUSSED:

- Secretary of state audit report 2023-15
- Oregon regulatory systems for cannabis and alcohol
- West Eugene enterprise zone tax credit
- Oregon Employment Department administrative rule
- Oregon Business Development Department (OBDD) policy
- OBDD public records request
- Cannabis industry revenue and cost trends

#### EFFECT OF AMENDMENT:

-1 Also exempts hemp business firms from first-source hiring agreement requirement in enterprise zones.

#### BACKGROUND:

Oregon enterprise zones incentivize new business investment by exempting some or all local property tax for several years. An enterprise zone is sponsored by city, port, county, or tribal governments. Currently, Oregon has 76 enterprise zones, of which 58 are rural and 18 are urban. The zones are spread throughout the state, in 35 of 36 counties, and are sponsored by 124 cities, 15 ports, 30 counties, and 2 Indian tribes. In addition, 19 cities, 7 ports and 3 other counties currently consent to zones within their territory that are sponsored by other jurisdictions. Local governments are responsible for creating and managing the zones until the sunset on June 30, 2025.

Enterprise zone business firms must enter into a first-source hiring agreement with a local job training provider for the period of the property tax exemption [ORS 285C.215(1)]. “First-source hiring agreement” means an agreement between an authorized business firm and a publicly funded job training provider whereby the provider refers qualified candidates to the firm for new jobs and job openings in the firm [ORS 285C.050(10)].

Currently, there are one or two hemp businesses receiving the enterprise zone property tax exemption. Additionally, a number of cannabis businesses have requested that OBDD waive their first-source hiring requirement. The waiver eliminates the requirement for a business to partner with a publicly funded job training provider such as the federally funded WorkSource Oregon program at the Oregon Employment Department. Under federal law, cannabis is a schedule I drug which the United States Drug Enforcement Administration (DEA) defines as a drug “with no currently accepted medical use and a high potential for abuse.” The Agriculture Improvement Act of 2018 (2018 Farm Bill) authorized the production of hemp and removed hemp and hemp seeds from the DEA's schedule of Controlled Substances.

OBDD ensures that designated enterprise zones comply with statutory requirements, develops rules to administer the program, and assists local sponsors and businesses with implementing first-source hiring agreements and other matters (ORS 285C.060). In accordance with rules adopted by OBDD, first-source hiring requirements may be waived [ORS 285C.215(3)].

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The Oregon Liquor and Cannabis Commission (OLCC) licenses and regulates the operation of the recreational marijuana industry in Oregon. OLCC's recreational marijuana program is exclusively authorized to make recreational and medical grade marijuana available to consumers and licensed businesses through retail marijuana stores. The program also tracks the growing, transporting, processing, and selling of recreational marijuana products. OLCC is also responsible for the tracking of any Oregon Medical Marijuana Program (OMMP) producer that is registered to produce marijuana for three or more patients, OMMP processing sites, and OMMP dispensaries. The Oregon Health Authority (OHA) administers the Oregon Medical Marijuana Program.

The Oregon Department of Agriculture administers the Hemp Program. Hemp means all non-seed parts and varieties of the Cannabis plant, whether growing or not, that contain an average tetrahydrocannabinol concentration that does not exceed 0.3 percent on a dry weight basis. (OAR 603-048-0010). The program ensures that hemp growers, hemp handlers, and agricultural hemp seed producers are registered and that pre- and post-harvest testing of hemp and hemp products are in compliance. All hemp commodities or products used for human consumption must be tested to the same standards as marijuana as established by OHA (OAR 603-048-2300 to 603-048-2500).