FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: HB 3295 - 4**
81st Oregon Legislative Assembly – 2021 Regular Session
Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:
Requires the Department of Revenue to make quarterly transfers of moneys in the Oregon Marijuana Account in excess of $11,250,000 to the Drug Treatment and Recovery Services Fund before making any other transfers. Modifies the reasons that a county is excluded from receiving a distribution of state-shared recreational marijuana tax revenues. Authorizes a county to certify with the Department of Administrative Services whether the county has an ordinance prohibiting the establishment of a premises for which a license is required, but which allows existing licensees to continue their operations.

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

Summary of Fiscal Impact:
Costs related to the measure are anticipated to be minimal - See explanatory analysis.

Analysis:
House Bill 3295, as amended by the -4 amendments, replaces the introduced version. The measure requires the Department of Revenue (DOR) to make quarterly transfers of moneys in the Oregon Marijuana Account in excess of $11,250,000 to the Drug Treatment and Recovery Services Fund before making any other transfers, as required by Ballot Measure 110 (chapter 2, Oregon Laws 2021). It modifies the distribution of state-shared recreational marijuana tax revenues by allowing any county that has adopted a local "optout" ordinance on or after January 1, 2018, prohibiting the establishment of certain licensed marijuana businesses, to continue receiving its proportionate share of the revenue distributions from the Oregon Marijuana Account. A county that adopts such an ordinance must certify the adoption of the ordinance to the Department of Administrative Services (DAS). Any county that intends to optout (if the county already has licensed marijuana businesses) must establish a cannabis advisory panel to continue to qualify for distributions of state-shared recreational marijuana tax revenues. Such an advisory panel must provide recommendations to the county commission. Any county that adopted such an optout ordinance between January 1, 2018, and September 1, 2021 must establish an advisory panel in order to be eligible to receive state-shared recreational marijuana tax revenues in the distribution formula.

The measure allows unexpended moneys in the Drug Treatment and Recovery Services Fund to lapse, thus precluding the ability to carry those moneys forward and to use them without regard to fiscal year or biennium. It disburses all revenues in the Oregon Marijuana Account exceeding $57 million per year to the Drug Treatment and Recovery Services Fund. The measure takes effect 91 days after adjournment *sine die*.

<u>Counties</u>
The measure would have a minimal fiscal impact on some counties and no impact on others. The measure modifies the reasons that a county would be excluded from receiving a distribution of state-shared marijuana tax revenues. It authorizes a county to certify with DAS whether the county has an ordinance prohibiting the establishment of a premises for which a license is required, but which allows existing licensees to continue their operations. If a county with such an ordinance were to certify it with DAS, the county would be eligible to receive a distribution of the state-shared revenue for the applicable certification period. For any county that adopted or

plans to adopt such an optout ordinance, the establishment of an advisory panel could be done at minimal expense to the county. For those counties that have not enacted such an ordinance, the measure would not alter the distribution of state-shared marijuana tax revenues to the counties.

The measure addresses a local ordinance in Deschutes County, where voters approved a moratorium on new production licenses in unincorporated areas of the county, but not on other license types and without revoking existing production licenses. In effect, the measure would enable Deschutes County to retain its portion of the state-shared recreational marijuana tax revenues, which would thereby reduce the proportionate share of other eligible counties that did not opt out of allowing some marijuana businesses before January 1, 2018. The measure would not otherwise have a fiscal impact on counties.

Department of Revenue

The measure would not have a fiscal impact on DOR. DOR administers the Oregon Marijuana Tax, a 17% tax on recreational marijuana sales at marijuana retailers licensed by the Oregon Liquor Control Commission (OLCC). This tax is paid by consumers of marijuana items based on the price paid for the items. Retailers hold the tax in trust for the state and remit it to DOR. DOR distributes the proceeds of the tax quarterly. The modification to eligible counties would not impact DOR's workload.

Oregon Liquor Control Commission

The measure would not have a fiscal impact on OLCC. OLCC's recreational marijuana operations are funded through license fees that are submitted to the Marijuana Control and Regulation Fund. OLCC's medical marijuana operations are funded through a quarterly transfer from the Oregon Marijuana Account, which occurs before the distributions affected by this measure.

Department of Administrative Services

The measure would not have a fiscal impact on DAS. It allows counties with an ordinance that prohibits the establishment of a licensed premises, while allowing existing licensees to continue their business operations, to certify their eligibility with DAS for a distribution of state-shared recreational marijuana tax revenues. DAS is required by law to compile these certification responses and provide them to DOR. The measure would not, however, increase DAS's workload.

Cities

The measure would not have a fiscal impact on cities. The measure would not alter the state-shared revenue distribution to cities and would not impact the cities' workload.

Oregon Health Authority

The measure would not have a fiscal impact on the Oregon Health Authority (OHA). It would not increase the workload of OHA's Public Health Division.