

**FISCAL IMPACT OF PROPOSED LEGISLATION**

81st Oregon Legislative Assembly – 2021 Regular Session  
Legislative Fiscal Office

**Measure: HB 3013 - A**

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

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**Measure Description:**

Directs the Oregon Liquor Control Commission to establish by rule a process to register medical marijuana processing sites and medical marijuana dispensaries. Sets requirements for transfer and receipt of medical cannabinoid products, including tracking. Establishes requirements for proximity of dispensaries to schools. Authorizes the Commission to adopt rules and impose civil penalties. Allows medical marijuana processing sites and medical marijuana dispensaries to apply to the Commission for registration beginning October 1, 2021. Prohibits the Oregon Health Authority from issuing or renewing marijuana processing or marijuana dispensary registrations on or after October 1, 2021. Directs the Commission to adopt rules authorizing a licensed marijuana producer to receive marijuana seeds from any source in this state. Requires a registered grower of industrial hemp to report to the Oregon Department of Agriculture if the grower does not intend to plant an industrial hemp crop, or for any loss of an industrial hemp crop.

**Government Unit(s) Affected:**

Department of Consumer and Business Services (DCBS), Oregon Judicial Department (OJD), Oregon Liquor Control Commission (OLCC), Oregon Health Authority (OHA), Oregon Department of Agriculture (ODA)

**Summary of Fiscal Impact:**

Costs related to the measure are indeterminate at this time - See explanatory analysis.

**Analysis:**

House Bill 3013, A-engrossed, replaces the introduced version. The measure directs the Oregon Liquor Control Commission (OLCC or the commission) to establish by rule a process to register medical marijuana processing sites and medical marijuana dispensaries. It sets requirements for transfer and receipt of medical cannabinoid products, including tracking. It establishes requirements for proximity of dispensaries to schools. The measure authorizes OLCC to adopt rules and impose civil penalties. It allows medical marijuana processing sites and medical marijuana dispensaries to apply to the Commission for registration beginning October 1, 2021. It prohibits the Oregon Health Authority from issuing or renewing marijuana processing or marijuana dispensary registrations on or after October 1, 2021.

The measure directs OLCC to adopt rules authorizing a licensed marijuana producer to receive marijuana seeds from any source in this state.

The measure requires a registered grower of industrial hemp to report to the Oregon Department of Agriculture (ODA or the department) if the grower does not intend to plant an industrial hemp crop, or for any loss of an industrial hemp crop. It requires a registered grower that has been directed by ODA to destroy or remediate an industrial hemp crop to provide documentation of the destruction or remediation to the department. It directs ODA to prioritize inspection and enter a corrective plan with any person who plants an industrial hemp crop prior to applying for grower registration. The measure authorizes ODA to adopt rules, impose civil penalties on any registered grower whose crop contains an average tetrahydrocannabinol (THC) of at least 10 percent, and enter into agreement with the commission to inspect registered crops. The measure's substantive provisions become operative on January 1, 2022 and it takes effect 91 days after adjournment *sine die*.

### **Department of Consumer and Business Services**

The measure would have no fiscal impact on the Department of Consumer and Business Services.

### **Oregon Health Authority**

The measure would have no fiscal impact on the Oregon Health Authority.

### **Oregon Judicial Department**

The measure would have a minimal fiscal impact on the Oregon Judicial Department.

### **Oregon Liquor Control Commission**

The measure allows ODA to enter an interagency agreement with OLCC in which the commission's inspectors would inspect registered hemp growers and handlers on behalf of the department.

ODA currently lists approximately 440 registered hemp growers in the state, plus 299 registered hemp handlers. If OLCC were to enter such an agreement, the commission's inspectors would visit these locations and document suspected violations, which would be forwarded to ODA for contested case adjudication. Presently, OLCC neither has an accurate estimate of how often the ODA would require these inspections, nor an estimate of how long such an inspection would take.

Assuming OLCC were to enter such an interagency agreement with ODA, OLCC estimates the cost of providing these inspection services for the department would be approximately \$1.02 million Other Funds in the 2021-2023 biennium, comprised of \$662,800 in personal service and \$362,000 in services and supplies. While the terms of such an agreement are speculative at this time, OLCC presumes that ODA would transfer fee money to the Marijuana Control and Regulation Fund (ORS 475B.296), and OLCC would fund the inspection program out of that revenue source. Nevertheless, the fiscal impact to OLCC is presently indeterminate because the commission does not know how frequently these inspections would occur, how long they would take, and which registrants would be subject to these inspections. If OLCC and ODA enter such an agreement, OLCC would likely need to return to the Emergency Board for increased expenditure limitation and position authority.

### **Oregon Department of Agriculture**

The measure will require ODA to conduct new rulemaking to implement its changes. It adds new reporting requirements for certain hemp growers, which will require ODA to engage stakeholders in the hemp industry. ODA will also need to update its current license forms in accordance with these reporting requirements.

The measure will require ODA to conduct priority inspections of non-registered hemp growers. ODA's Hemp Program procedures will need to be updated in order to complete these inspections. Non-compliant growers will need to enter in a corrective action plan with ODA. These priority inspections will require ODA to monitor and follow-up with hemp growers to ensure they are following the Hemp Program's new rules and regulations. ODA is currently unclear as to whether the department will enter an agreement with OLCC to complete hemp field inspections, as allowed by the measure. Currently, ODA is just beginning the process of implementing a full hemp inspection program and has requested additional positions in the 2021-23 Governor's recommended budget.

The measure allows ODA to impose civil penalties for violations of the Hemp Program. While it is unclear how many violations will occur, ODA's Hemp Program would incur legal fees for each violation for which the department imposes a civil penalty. ODA estimates it would incur \$100,000 Other Funds in 2021-23 to implement the measure, including the necessary rulemaking processes. Beyond that, the fiscal impact to ODA is indeterminate. Once the Hemp Program implements these changes, ODA's budgetary needs to conduct these priority inspections in the Hemp Program may need to be reassessed.

This measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of its budgetary impact on ODA and OLCC's biennial budget.