HB 3295 A STAFF MEASURE SUMMARY

Carrier: Rep. Kropf

House Committee On Revenue

Action Date:	06/07/21
Action:	Do pass with amendments. (Printed A-Eng.)
Vote:	5-2-0-0
Yeas:	5 - Levy, Nathanson, Pham, Reschke, Smith G
Nays:	2 - Marsh, Valderrama
Fiscal:	Fiscal impact issued
Revenue:	Revenue impact issued
Prepared By:	Mazen Malik, Senior Economist
Meeting Dates:	3/8, 4/22, 5/25, 6/7

WHAT THE MEASURE DOES:

Modifies city and county eligibility requirements for transfer of moneys from marijuana revenue. Allows for counties that opted-out but continues to allow some marijuana businesses prior to Jan-1-2018, to continue receiving revenue distributions from the marijuana account according to the existing formula which is proportional to existing marijuana businesses. Requires DAS to verify and certify the optout ordinances and the number of existing businesses. Requires the counties that intend to optout (if they have existing businesses) to establish a cannabis advisory panel to continue to qualify for distributions under the formula. Specifies the membership of the advisory panel that will provide recommendations to the county commission. Requires that counties that opted out between 2018 and 2021 to establish an advisory panel as a condition for the county to continue being considered in the distribution formula. operative date of 1/1/2022.

ISSUES DISCUSSED:

- Background on marijuana revenue distributions
- City and county opt out/in and affects on revenue sharing
- Unintended consequences of the county distribution formula
- Deschutes county vote issues and loss of revenue
- Measure 110 changes to revenue distributions and to the uses of revenue
- impacts on other counties as a result of changing the distribution formula
- Legal action and other potential remedies
- grandfather in the counties with existing marijuana businesses
- unintended consequences of the formula original design and all in or all out policy
- optout does not mean canceling existing licenses.

EFFECT OF AMENDMENT:

Replaces the measure. Simplifies the language in current law relative to M-110 revenue distribution. Allows for counties that opted-out but continues to allow some marijuana businesses before Jan-1-2018, to continue receiving revenue distributions from the marijuana account according to the existing formula which is proportional to existing marijuana businesses. Requires DAS to verify and certify the optout ordinances and the number of existing businesses. Requires the counties that intend to optout (if they have existing businesses) to establish a cannabis advisory panel to continue to qualify for distributions under the formula. Specifies the membership of the advisory panel that will provide recommendations to the county commission. Requires that counties that opted out between 2018 and 2021 to establish an advisory panel as a condition for the county to continue being considered in the distribution formula. operative date of 1/1/2022.

BACKGROUND:

Marijuana revenue (prior to Measure 110 of 2020 election) was fully distributed, 40% to the State School Fund, 15% to state police, 10 % to mental health, and 5% to the health authority. The local distributions are 10 % to Counties and 10% to Cities to be distributed using a permanent formula. However, the first-year revenue distribution used a temporary formula based Solely on population. Revenue collected during first biennium (2015-17) was distributed per the first-year formula after all the costs for the OLCC and DOR are paid. HB 3470 of the 2017 session changed the distributions to cities and Counties in the following way:

A) The 10% going to **Cities**is distributed in the following shares:

Seventy-five percent must be transferred in shares that reflect the population of each city of this state that is not exempt compared to the population of all cities of this state that are not exempt from distribution due to opt out.

Twenty-five percent must be transferred in shares that reflect the number of licenses held pursuant to ORS 475B.070 (Production), 475B.090 (Processor), 475B.100 (Wholesale), and 475B.110 (Retail).

B) The 10% going to **counties** must be transferred in the following shares:

Fifty percent must be transferred in shares that reflect the total commercially available area of all grow canopies associated with marijuana producer licenses held pursuant to 475B.070 on the last business day of the calendar quarter preceding the date of the transfer for all premises located in each county compared to the total commercially available area of all grow canopies associated with marijuana producer licenses held pursuant to ORS 475B.070 (Production license) on the last business day of that calendar quarter for all premises located in this state.

Fifty percent of the 10 percent must be transferred in shares that reflect the number of licenses held pursuant to ORS 475B.090 (Processor) , 475B.100 (Wholesale) and 475B.110 (Retail) on the last business day of the calendar quarter preceding the date of the transfer for premises located in each county compared to the number of licenses held pursuant to ORS 475B.090, 475B.100 and 475B.110 on the last business day of that calendar quarter for all premises in this state.

The current distributions are not allowed for the cities of counties that prohibit the operation of any marijuana business. This measure changes that condition to prohibition of all marijuana businesses. For the counties the two part distributions are connected the to different type of licenses. and the new condition makes those two pots of money connected to allowing licenses of each types.

License types are: 475B.070 Production license, 475B.090 Processor license, 475B.100 Wholesale license, 475B.110 (renumbered 475B.105 in 2017) Retail license.