

## HB 2089 STAFF MEASURE SUMMARY

### House Committee On Revenue

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**Prepared By:** Mazen Malik, Senior Economist

**Meeting Dates:** 2/2, 2/7, 2/8

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#### WHAT THE MEASURE DOES:

Directs Department of Revenue to transfer specified amount of moneys from Oregon Marijuana Account to cities and counties in this state and to State Police Account. Changes the distribution formula for Oregon Marijuana Account . Takes effect on 91st day following adjournment sine die.

#### ISSUES DISCUSSED:

- Measure 91 of 2014 and distributions formula
- Measure 110 of 2020 with distribution caps and other uses
- The reductions to cities and counties form the cap on distributions
- The needs of the drug treatment programs and addiction services
- the pressures on the industry
- possible impacts of the bill on different beneficiaries of M-110

#### EFFECT OF AMENDMENT:

No amendment.

#### BACKGROUND:

Marijuana revenue (prior to Measure 110 of the 2020 general election) was fully distributed according to the following permanent formula established by Measure 91 (2014):

- 40% to the State School Fund.
- 15% to state police.
- 20 % to mental health treatment or for alcohol and drug abuse prevention, early intervention, and treatment.
- 5% to the health authority for purposes related to alcohol and drug abuse prevention, early intervention, and treatment services.
- 10 % to Counties and
- 10% to Cities.

Measure 110 of the 2020 general election established the Drug Treatment and Recovery Services Fund (DTRSF) as an additional new use for marijuana revenues. The measure also established a minimum of \$57 million to be transferred into the DTRSF in the first year. After that first year, the measure specified that the minimum annual transfers are to be increased in conjunction with inflation adjustment using the CPI (Consumer Price Index). Therefore, the \$114 million for each biennium minimum will be adjusted to inflation. However, in another section of the measure, the amounts specified to be distributed using the permanent (M-91) formula was capped at \$45 million per fiscal year, and the remainder of the marijuana revenue above that amount is sent to the DTRSF. That Cap on the formula distribution was not originally allowed any future increases or inflation adjustment, but HB 4056 of the 2022 session introduced the inflation adjustment used in M-110 (monthly averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31 of the prior calendar year) to adjust minimum DTRSF, as a method to adjust the \$90 million which are distributed using the permanent formula. This inflation adjustment to the formula distribution cap is meant to start in 2023 which will fully affect the FY 2024

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and beyond. The inflation adjustment would be applied to existing marijuana revenue and the cap adjustment will start and be reflected in the 23-25 biennium.

This measure removes from the formula the distributions of 40% going to State School Fund, the 20 % to mental health treatment (for alcohol and drug abuse prevention, early intervention, and treatment), and the 5% to the health authority (for purposes related to alcohol and drug abuse prevention, early intervention, and treatment services). Those amounts (65% of the formula amounts, approximately \$29 million) are then redistributed to the Cities, Counties, and the State Police, leaving their total new distributions at 30%,30% and 40% respectively.