

2015

2015 Legislative Session Summary



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EXECUTIVE SUMMARY

The 2015 legislative session was a robust session which resulted in significant support for the expansion of retail liquor sales as well as the implementation of Measure 91.

For the 2015 session, the agency tracked 101 bills. There were 32 bills relating to alcohol or alcohol related issues of which 12 passed. There were 46 bills relating to marijuana or marijuana related issues of which 9 passed. The agency prepared 97 fiscal impact statements for 43 unique bills.

A budget of \$170.6 million and 230 positions were approved for OLCC's budget relating to alcohol. \$8.3 million and 30 positions were approved for OLCC's budget relating to Measure 91 implementation. The combined agency budget is \$178 .9 and 260 positions.

The policy option packages approved for the alcohol budget include:

- Package 104 – Increase OLCC Shipping Capacity – Upgrade Equipment. \$5 million
- Package 301 – Repair OLCC Facilities. \$4.2 million
- Package 308 – Upgrade phone system. \$110,000
- Package 303 – Provide Online and E-Commerce Licensing. \$250,000
- Package 202 – Meet Peace Officer Training Requirements. \$290,000.
- Package 803 – Non Exclusive Store Differential. \$612,000

The following bills relating to retail liquor sales as well as the implementation of Measure 91 were adopted in the 2015 legislative session. Full descriptions of legislation are located in the following sections:

Alcohol Policy Legislation

SB 138	Brewery Public House
SB 141	Liquor Agents
SB 583	Malt Beverages
SB 623	Wineries
SB 937	Granulated Alcohol
HB 2480	Application Fee
HB 2567	Oregon Distillers
HB 2803	Redemption Centers
HB 3143	Human Trafficking

Measure 91 and Medical Marijuana Policy Legislation

SB 460	Early Start
SB 844	Task Force on Researching Medical and Health Properties of Cannabis
HB 2041	Retail Tax
HB 3400	Measure 91 and Medical Marijuana
SB 364	Court Consideration of New Classification for Marijuana Offenses
SJM 12	Memorial to Congress

OLCC Budget Legislation

SB 501	Bottle Surcharge Credited to General Fund
SB 605	Repayment of Liquor Fund from Marijuana Tax Fund
SB 5507	Alcohol Budget Adjustment
SB 5520	Alcohol Budget
SB 5543	Expenditure Limitation Measure 91 and Agent Compensation
HB 5047	Marijuana Budget

Alcohol Legislative Policy and Budget Direction

Policy Direction

The Legislature adopted several bills that provided increased flexibility to licensees, including bills that incorporated concepts first explored during the Interim Task Force on the OLCC. These bills:

- Expand distribution privileges for brew pubs.
- Allow breweries to sell packaged beer and growlers to consumers.
- Allow out-of-state entities to ship malt beverages directly to consumers; and change all direct shippers from monthly to quarterly reporting.
- Allow wineries to hold a full on-premises sales license without production limits.
- Allow distilleries to jointly operate tasting rooms; and offer tastes of mixed drinks.

The Legislature adopted two bills specifically related to enhancing public safety. These bills:

- Prohibit the sale of powdered alcohol
- Direct the Dept. of Consumer and Business Services to develop informational materials on human trafficking which will be distributed by OLCC with our license renewals.

Other alcohol related bills:

- Provide for a payment to retail liquor agents in the event the state privatizes its system for sale and distribution of distilled spirits.
- Expand the requirements of retailers who chose not participate in a Beverage Redemption Center. This bill also places additional enforcement responsibilities with the OLCC and created a new position at the agency specific to the Oregon Bottle Bill.
- Create a refundable license application fee (at the request of the OLCC). The fee will be established by rule and is refunded if OLCC does not act on an application within 75 days.

Budget Direction

Legislators adopted the OLCC's budget relating to alcohol separately from the OLCC budget relating to the implementation of Measure 91. A budget of \$170,614,219 Other Funds and 230 positions were approved. Agent's compensation is increased due to a continuation of the \$.50 per bottle surcharge imposed by the OLCC and the removal of compensation formula distinctions between exclusive and non-exclusive stores.

The following amounts are established for the biennium beginning July 1, 2015, as the maximum limits for payment of expenses alcohol related fees, moneys or other revenues, including Miscellaneous Receipts, but excluding lottery funds and federal funds, collected or received by the Oregon Liquor Control Commission for the following purposes:

- Administrative expenses \$ 63,652,074
- Agents' compensation \$102,570,335
- Capital improvements \$ 4,391,810

Revenue Distribution

The recommended budget results in an estimated net distribution of \$467.2 million in alcohol-related revenue distribution to the state general fund and statutorily designated entities in the 2015-17 biennium.

Measure 91 and Medical Marijuana Legislative Policy and Budget Direction

Policy Direction

Legislators adopted a number of bills providing legislative direction for the implementation of Measure 91 and the medical marijuana program. Many of the OLCC recommendations were adopted. Legislation was adopted that made the following changes to the statutes:

Keeps recreational and medical marijuana on separate tracks with some exceptions:

- Allow medical growers to opt in to recreational program to sell their excess marijuana; must adhere to OLCC tracking and other licensing criteria; must receive permission from their patients to sell excess.
- Allow medical dispensaries to sell small amounts of marijuana flower to recreational users in medical dispensaries until December 31, 2016 – 3 months after recreational storefronts are expected to be up and running

Changes the system of taxation from a tax on growers to a tax on retail sales

- 17% recreational tax on all products
- Allows 3% additional local tax for cities and counties with some restrictions
- 25% tax on marijuana sold to recreational users in medical dispensaries, beginning January 2016
- Department of Revenue collects the tax

Creates laboratory licenses; clarifies responsibilities for testing, labeling, and packaging

- OHA adopts testing standards: identify the appropriate tests, test at minimum for microbiological contaminants, pesticides, solvents, THC and cannabinoid concentration
- Creates laboratory license licensed by the OLCC. Testing must be conducted by licensed laboratory; OLCC licensed laboratories must meet OHA certification standards.
- OHA adopts labeling standards: health and safety warnings, activation time, results of testing, potency, serving sizes and number of servings, and content

- OLCC adopts packaging standards: child-resistant safety packaging and not marketed in a manner that is untruthful or misleading, attractive to minors or creates a significant risk of harm to public health and safety

Creates research certificate, two task forces, and identifies responsibility for DUII study and public education

- Creates Research Certificate – OLCC in consultation with OHA shall set up program to identify and certify private and public researchers of cannabis
- Creates Task Force on Researching the Medical and Public Health Properties of Cannabis (OHA) and Task Force on Cannabis Environmental Best Practices (OLCC)
- Examine research and conduct or commission new research to investigate the influence of marijuana on the ability to drive a vehicle (OLCC)
- Develop marijuana abuse prevention curricula and public information programs (OHA, Department of Education, Alcohol and Drug Policy Commission)

Reduces classification of some marijuana crimes, and allows for expungement of some marijuana crimes

Provides directions to the OLCC, Oregon Health Authority and local government:

OLCC Measure 91 Implementation

- Fees should cover the cost of sustaining the recreational marijuana program; should consider the size of scale of operation when setting fees; fees must not be lower than those charged by the Oregon Health Authority
- Directs the OLCC to develop and maintain a tracking system for marijuana items in the recreational system
- Licensed premises may receive marijuana items only from another OLCC licensee
- Requires all products to be tested
- Directs the OLCC to restrict the size of mature marijuana grow canopies to produce comparable yields for indoor and outdoor grows
- Directs the OLCC to take into consideration the market demand when establishing canopy size
- Allows the OLCC to establish merit-based criteria for licensure or license renewal
- Producer applicants must submit a report describing the applicant’s electrical or water usage
- Processors, wholesalers and retailers must not be located in an area zoned exclusively for residential use; retailers may not be located within 1,000 feet of a school
- Directs the OLCC to approve or deny applications as soon as practicable after January 4, 2016
- The OLCC cannot issue a license if the land use compatibility statement shows that the proposed use is prohibited in the applicable zone
- Establishes residency requirements for applicants; OLCC may require fingerprints of applicants and investors.
- Requires marijuana handler permits for a person who works in a retail shop; the permits require mandatory education and background checks.
- Adopt rules that prohibits advertising that is appealing to minors, promotes excessive use, or promotes illegal activity

- OLCC regulatory specialists may not carry a firearm or conduct inspections and investigations of a primary residence; may not inspect OMMP facilities.
- OLCC may handle marijuana when necessary as part of its compliance activities
- Establishes upper limits of \$5,000 penalty for each violation

OHA Medical Marijuana Program

- OHA shall establish a marijuana grow site registration system; establishes grow site limitations
- OHA shall establish a marijuana processing site registration system
- OHA shall establish a medical marijuana dispensary registration system
- OHA shall develop a database related to the production, processing and transfer of products

Department of Revenue

The Department of Revenue shall collect 17% tax (plus up to 3% local option) tax at the retail level. Recreational sales in medical marijuana dispensaries will be taxed at 25% starting January 4, 2016. Recreational sales in medical stores are slated to sunset on December 31, 2016.

Local Governments

- Local governments with at least 55% opposition to Measure 91 have 180 days from the passage of HB 3400 to adopt ordinances to prohibit establishment of recreational and medical licenses; ordinance does not need to be referred to voters; grandfathers existing medical marijuana businesses.
- All other local governments may adopt ordinances to prohibiting marijuana licenses but must refer the ordinance to voters at the next statewide general election; grandfathers existing marijuana businesses
- If cities or counties chose to opt out of granting licenses, they forego marijuana tax distributions.
- Cities and counties may adopt an ordinance to be referred to the voters imposing a tax on the sale of marijuana products not to exceed 3%. The ability to tax goes away if the city or county opts out of granting licenses.
- Cities or counties may adopt ordinances that impose reasonable regulations on the operations except they may not adopt an ordinance that prohibits retail licenses to be located more than 1,000 feet from each other
- Activities not allowed on land designated for exclusive farm use include: a new dwelling, a farm stand, commercial activity

Measure 91 and Medical Marijuana Budget Direction

- OLCC – Legislative direction for OLCC to set license fees to cover the cost of the program; allows expenditure of liquor funds in 2015-17 to be repaid with Marijuana Tax Revenue
- DOR – Expenditures to be repaid with Marijuana Tax Revenue
- OHA – Expenditures to be paid through license fees

Expenditures Allocated to Implement Measure 91

Expenditures approved for Measure 91 implementation in the 2015-17 biennium include the following:

OLCC	\$ 8.3 million	30 positions (24.91 FTE)
Department of Revenue	\$ 1.9 million	6 positions (3.15 FTE)
Department of Agriculture	\$ 0.2 million	1 positions (1.0 FTE)
Department of Human Services	\$ 0.4 million	3 positions (2.59 FTE)
Total Expenditure	\$10.8 million*	40 positions (31.03 FTE)

*In addition, \$6.7 million was approved for the Oregon Health Authority; 37 positions (23.25 FTE); of this funds were allocated for Early Start (3 positions). These costs are not included in the \$10.8 million.

Revenue Estimates from Measure 91

Revenue estimates from the Legislative Revenue Office, dated June 25, 2015, for HB 2041 (retail tax) are listed in the table below. The table shows estimates for the 2015-17 and the 2017-1 biennia.

Measure 91 Revenue Estimates

		BN 15-17	BN 17-19
Revenue		\$10.75	\$62.42
Collection Costs		(\$11.56)	(\$13.78)
Fee & License Revenue		\$5.17	\$10.54
Net Revenue		\$4.36	\$59.17

ALCOHOL POLICY LEGISLATION

SB 138 (Brewery-Public House)

Introduced by: Senate Interim Committee on Business and Transportation

House vote: Ayes-50, Nays-0, Excused-10

Senate vote: Ayes-29, Nays-0, Excused-1

Allows brewery-public house licensees to sell at wholesale and distribute up to 7,500 barrels (a 2,500 barrel increase from current law) of malt beverages per year produced by the licensee to other licensees of the Oregon Liquor Control Commission. Allows brewery-public house licensee to distribute malt beverages manufactured at its licensed premises to any other premises under the same ownership and for export.

SB 141 (Liquor Agents)

Introduced by: Senate Interim Committee on Business and Transportation

House vote: Ayes-58, Nays-0, Excused-2

Senate vote: Ayes-30, Nays-0, Excused-0

Requires the OLCC to compensate liquor agents for lost revenue if the wholesaling and distribution of liquor in Oregon is privatized. Operators of liquor stores established by the OLCC would receive payments of 4% of the average annual sales made by the store during the previous five years if privatization occurs after the person assumed operation of the store. The bill establishes a business loss compensation fund which would be composed of proceeds from the sale of OLCC assets.

SB 583 (Malt Beverages)

Introduced by: Senate Committee on Business and Transportation

House vote: Ayes-58, Nays-0, Excused-2

Senate vote: Ayes-29, Nays-0, Excused-1

Allows off premises licensees to deliver malt beverage to retail customers similar to delivering wine and cider. It permits the direct shipments to Oregon residents from within Oregon and from out of state. Out of state shippers would need to obtain a direct shipper permit from the OLCC. By allowing direct shipment of beer to Oregon residents, Oregon brewers hope to encourage other states to open their borders to allow Oregon products to be direct shipped to their residents. The measure includes a reciprocity clause so that malt beverages can be shipped to consumers from out of state only if that state allows Oregon to direct ship to its customers.

Under current law, the holder of a brewery license can sell the malt beverages that it brews for consumption on the licensed premises. This bill allows sales for off-premises consumption as long as the beverage was brewed on site. This will allow the sale of growlers and bottles, the same privilege enjoyed by brewery-public house licensees.

SB 623 (Wineries)

Introduced by: Committee on Business and Transportation

House vote: Ayes-58, Nays-0, Excused-2

Senate vote: Ayes-30, Nays-0, Excused-0

Removes the winery production restriction as a consideration for approving or denying a full on-premises sales license. Current law allows wineries to sell beer, wine, and cider and wineries producing less than 200,000 gallons in annual production are also eligible for a full on-premises sales license, which allows them to sell distilled spirits. These sales typically take place in a restaurant setting. There are now wineries that exceed the 200,000 gallon winery production limit.

SB 937 (Granulated Alcohol)

Introduced by: Senator Beyer

House vote: Ayes-42, Nays-8, Excused-10

Senate vote: Ayes-29, Nays-1, Excused-0

Prohibits the retail sale of granulated alcohol. Allows sale of granulated alcohol at wholesale only for scientific, industrial, manufacturing or other purposes approved by the Oregon Liquor Control Commission. As of March 2015, Alaska, Louisiana, South Carolina, Vermont and Virginia statutorily prohibit the sale of powdered alcohol; Delaware and Michigan allow powdered alcohol that is regulated under their existing alcohol statutes; and 28 other states are addressing sale of granulated alcohol in their 2015 legislative sessions.

HB 2480 (License Application Fee)

Introduced by: Governor Kitzhaber for the OLCC

House vote: Ayes-48, Nays-10, Excused-2

Senate vote: Ayes-26, Nays-4, Excused-0

Allows the Commission to charge an application fee, not to exceed \$150, to process an application for the issuance of a new annual license or to change the ownership of an existing annual license. Applicants for Certificate of Approval (CERA), Wine Self Distributors (WSD), Wine Direct Shippers (DS), Service Permits, Temporary Sales Licenses (TSLs) or Distillery Certificates (CERDs) are exempted from the fee requirement. The license fee is nonrefundable, except that the commission shall refund the fee if the applicant submits a completed application and the commission does not take action on or before 75 days. The Commission will adopt rules to establish application fees by class of license and define a completed application. By requiring license applicants to pay a non-refundable fee, the applicant's perceived value of submitting an application increases; and fewer businesses that are either unprepared or uncommitted to the entire process to get the license issued are expected to apply. This will have the effect of making more staff resources available to handle the timely investigation and processing of the ever-growing number of license investigation and processing of the ever-growing number of license applications.

HB2567 (Oregon Distillers)

Introduced by: Representatives Williamson, McKeown, Doherty

House vote: Ayes-59, Nays-0, Excused-1

Senate vote: Ayes-29, Nays-0, Excused-1

Broadens the ability of Oregon distillers to showcase their products on their licensed premises and at special events. Distillers can pour tastings of only liquor manufactured in and approved for sale in Oregon. Joint tastings are allowed on a premise if it is a primary production location for both distillers or are owned by the same entity. There are also limits to the special event permits for distillery licenses, including the duration and frequency. This bill also allows licensed distillers to buy and sell bulk spirits from each other; currently they can buy bulk spirits from out-of-state manufacturers but need to purchase in-state manufactured bulk spirits from the OLCC.

HB 2803 (Beverage Redemption Centers)

Introduced by: Representative Hoyle

House vote: Ayes-45, Nays-6, Excused-9

Senate vote: Ayes-27, Nays-2, Excused-1

Modifies the beverage container redemption program and expands the requirements to be administered and enforced by the OLCC. The bill modifies requirements for beverage container dealers, imposes reporting requirements and gives the OLCC the authority to inspect and ensure compliance of dealers located within a convenience zoned served by a redemption center. Requires the OLCC to provide notice of program requirements to each dealer within the convenience zone not participating in a redemption center. Authorizes the OLCC to impose civil penalties for non-compliance. A Compliance Specialist 3 position is added to manage the increased workload anticipated in implementing this bill.

HB 3143 (Human Trafficking)

Introduced by: Representative Whitsett, Senators Steiner Hayward, Winters

House vote: Ayes-58, Nays-0, Excused-2

Senate vote: Ayes-29, Nays-0, Excused-1

Directs the Department of Consumer and Business Services (DCBS) to develop model sign for victims of human trafficking and requires the sign to be available on the DCBS website. Directs the DCBS and the Department of Human Services to create a sticker consistent with the sign. Directs the Oregon Liquor Control Commission to include materials on human trafficking provided to them by nonprofit organizations in the license renewal notices for on-premises sales, off-premises sales or brewery-public house licensees.

MARIJUANA POLICY LEGISLATION

SB 364 (Court Consideration of New Classifications for Marijuana Offenses)

Introduced by: Senate Interim Committee on Judiciary

House vote: Ayes-52, Nays-6, Excused-1 Senate vote: Ayes-23, Nays-6, Excused-1

Requires court to consider current classification of marijuana offense in order to determine whether a conviction is eligible to be set aside. Permits marijuana possession offenses to be reduced to misdemeanors.

SB 460 (Early Start)

Introduced by: Senator Prozanski, Representative Lininger

House vote: Ayes-40, Nays-19, Excused-1 Senate vote: Ayes-23, Nays-6, Excused-1

Allows medical marijuana dispensaries, starting October 1, 2015, to sell to recreational marijuana customers up to one quarter ounce of dried leaves and flowers and four immature marijuana plants per day. It requires the Oregon Health Authority to create rules to implement the measure and allows local governments to pass ordinances prohibiting sales. This bill sunsets on December 31, 2016.

SB 844 (Task Force Medical and Public Health Properties of Cannabis)

Introduced by: Senator Burdick, Representative Lininger

House vote: Ayes-45, Nays-14, Excused-1 Senate vote: Ayes-21, Nays-4, Excused-1

Establishes a 15 member Task Force on Researching the Medical and Public Health Properties of Cannabis. The Task Force is staffed by OHA; OLCC is a member. The Task Force is tasked with submitting a report updating its progress including any recommendations for legislation to interim committees of the Legislative Assembly related to marijuana by December 15, 2015 and submit a report including recommendations to the interim committee of the Legislative Assembly related to health, and any interim committee of the Legislative Assembly related to marijuana, no later than February 1, 2016. The report shall:

- Identify and assess the validity of research related to the medical properties of cannabis that have been conducted in other states, territories, and countries
- Assess the potential for Oregon to collaborate with other states in researching the medical properties of cannabis
- Identify key research areas related to the medical properties of cannabis
- Identify legal barriers to the establishment of research laboratories including barriers related to possession, delivery and manufacture of marijuana
- Identify legal barriers to the use of institutional review boards in approving, monitoring and reviewing research involving the medicinal properties of cannabis

- Propose solutions to structuring and funding research, including solutions that involve state programs and moneys and solutions that involve investment by private businesses and business sectors
- Assess the potential of locating a cannabis grow site for research purposes in this state and if appropriate set for a plan for the establishment of a cannabis grow site for research purposes in Oregon

Describes when a criminal conviction related to marijuana may be eligible for expunction.

Modifies limitations for medical marijuana cardholders who are in palliative or hospice care and specifies that transplant hospitals may not deny a transplant to someone on the basis that the person is a registry identification cardholder.

[SJM 12 \(Joint Memorial\)](#)

Introduced by: Senators Ferrioli, Burdick, Beyer, Kruse, Prozanski, Representatives Lininger, Buckley, Helm, Wilson

House vote: Ayes-44, Nays-16, Excused-0

Senate vote: Ayes-26, Nays-3, Excused-1

Urges Congress to support development of a solution to financial issues arising from the marijuana industry and to declassify marijuana as a Schedule I drug under the federal Controlled Substances Act. Growing, processing and distributing marijuana for permitted purposes is no longer a crime under Oregon law; however, it remains a federal crime. This creates problems for marijuana businesses seeking financial services. Specifically, the Bank Secrecy Act requires financial institutions to file suspicious activity reports when they are aware that a client is depositing funds derived from illegal activity. The Financial Crime Enforcement Network also places a series of requirements on financial institutions serving marijuana businesses. In response to these requirements, no Oregon financial institution is willing to knowingly serve a marijuana business. Also, because marijuana is classified as a Schedule 1 drug under the federal Controlled Substances Act, there are significant prohibitions on research.

[HB 2041 \(Retail Tax\)](#)

Introduced by: Representatives Smith, Lininger

House vote: Ayes-43, Nays-15, Excused-1

Senate vote: Ayes-24, Nays-4, Excused-2

Imposes a 17% tax on marijuana items sold by recreational marijuana retailers at the point of retail sale starting January 1, 2016. Requires the Department of Revenue (DOR) to collect the tax. Requires retailers to submit tax returns quarterly. Allows retailer to deduct and retain 2 % of the taxes collected. Describes process for collection of delinquent taxes; requires retailers to keep records for 5 years. Requires medical marijuana dispensaries to collect 25% tax on all recreational sales starting on or after January 4, 2016. Repeals 25% tax on December 31, 2016. Allows DOR to use tax proceeds for administration and enforcement of the Act. All excess funds are deposited into the Oregon Marijuana Account for distribution. Prohibits cities and counties that pass ordinances prohibiting any kind of medical or recreational marijuana facility or site from receiving any funds raised through the taxation of marijuana.

HB 3400 (Measure 91 and Medical Marijuana)

Introduced by: Representatives Lininger, Olson, Senators Beyer, Burdick, Ferrioli, Kruse, Prozanski, Steiner Hayward

House vote: Ayes-52, Nays-4, Excused-4

Senate vote: Ayes-24, Nays-4, Excused-2

Clarifies and adds requirements for the implementation of Measure 91 as well as makes changes to the medical marijuana statutes. A section by section summary with page number references follows.

Ballot Measure 91 – Operative January 1, 2016

Section 1 Definitions (pages 1-4) –Definitions terms such as “immature marijuana plant” (not flowering) and “cannabinoid edible” (food or potable liquid into which a cannabinoid concentrate, extract or dried marijuana leaves or flowers have been incorporated). This section clarifies that a “premises or licensed premises” does not include a primary residence.

Section 2 Powers and Duties of the Commission (pages 4-6)

- Regulate the purchase, sale, production, processing, transportation and delivery of marijuana items
- Grant, refuse, suspend or cancel licenses for the sale, processing, or production of marijuana and make decisions on the ability to transfer an existing license between persons
- Investigate and aid in the prosecution of every violation of the statutory laws of this state relating to marijuana items
- Adopt, amend, and repeal rules to implement Measure 91 including rules that the commission considers necessary to protect the public health and safety
- Issue subpoenas, compel the attendance of witnesses, administer oaths, certify official acts, take depositions, compel the production of licensee records
- Establish fees in addition to the application, licensing and renewal fees as described later in the bill
- Adopt advertising rules to prohibit advertising marijuana items in a manner that is appealing to minors, promotes excessive use, promotes illegal activity or that otherwise present a significant risk to public health and safety
- Fees collected are deposited in the Marijuana Control and Regulation Fund (new fund created by HB 3400)

Section 3-4 Power to Purchase, Possess, Seize and Dispose (page 6) – Gives power to the commission to handle marijuana when necessary as part of its compliance activities.

Section 5-11 Regulation of Licensees (pages 6-9) – similar language to Measure 91 but adds that a licensed premises may receive marijuana items only from a marijuana producer, processor, or wholesaler that has a license from the OLCC. States that the OLCC may require the fingerprints of applicants for licenses.

Section 12-17 License Holders (pages 9-12)

- Adds requirement that until January 1, 2020, applicants for all license types must provide proof that they have been a resident of Oregon for two or more years
- Fees may not exceed the cost of administration. Shall be in a form that imposes a greater fee for premises with more square footage or on which more mature marijuana plants are grown
- Fees are deposited in the Marijuana Control and Regulation Fund
- Requires all license types to meet public health and safety standards and industry best practices established by the commission
- Requires all products to be tested
- **Producer (Section 12-13)** (pages 9-10):
 - Requires at the time of applying or renewing a license that a producer:
 - Submits a report describing the applicants electrical or water usage
 - The Commission may not limit the number of immature marijuana plants that may be possessed by a producer, the size of the grow canopy of immature plants, the weight or size of shipment of immature plants
 - The Commission shall adopt rules restricting the size of mature marijuana plant grow canopies for indoor and outdoor grows in a manner calculated to result in premises that produce the same amount of harvested marijuana leaves and flowers regardless of whether the marijuana is grown outdoors or outdoors
 - Adopt a tiered system under which the permitted size of the grow canopy increases at the time of licensure renewal except when the licensee has violated a provision of their license or a rule
 - Commission must take into consideration the market demand for marijuana items to determine whether the availability of marijuana items in this state is commensurate with the market demand. This does not apply to licenses that solely propagate immature plants
- **Processor (Section 14)** (pages 10-11):
 - If the processor processes marijuana extracts, they may not be located in an area zoned exclusively for residential use
- **Wholesalers (Section 15)** (page 11):
 - May not be located in an area zoned exclusively for residential use
- **Retailers (Section 16-17)** (pages 11-12):
 - May not be located in an area zoned exclusively for residential use
 - May not be located within 1,000 feet of a public elementary or secondary school or a private or parochial elementary or secondary school
- **Segregated Premises (Section 18)** (page 12):
 - To protect public health and safety the Commission may require licensee that hold more than one licensee type to be segregated into separate areas
- **Marijuana Handlers (Section 19-20)** (pages 12-13):
 - Requires marijuana handler permits for a person who works in a retail shop and who possesses, secures, sells or records marijuana items
 - Retailers must verify that employees have a valid permit
 - Commission shall establish fees and adopt rules regarding the qualifications, terms, procedures for application and renewal

- Commission shall require a course that includes checking identification, detecting intoxication, and handling marijuana items, the Commission cannot require the course more than once except as a condition of lifting a suspension
- Commission shall conduct a criminal records check and may suspend, revoke or refuse to issue or renew a permit if the individual makes a false statement or is convicted of a felony, except the commission may not consider a conviction for the manufacture or delivery of marijuana if the date of the conviction is two or more years before the date of application or renewal
- **Employment Relations (Section 20a-20c)** (pages 13-14):
 - Employees of licensees have the right to form, join and participate in the activities of a labor organization
 - It is unlawful for the licensee to discharge, demote, suspend or discriminate or retaliate against an employee on the basis that the employee has reported information to the OLCC that that the employee believes is evidence of the violation of the law
 - The Commission may establish merit-based criteria for licensure or renewal of licensure including but not limited to possession of a developed business plan, access to sufficient capital, offering living wages and benefits, provision of training and apprenticeship, provision of community benefits, implementation of best environmental practices and implementation of consumer safety practices.
- **Bonds and Liability Insurance (Section 21-22)** (page 14):
 - OLCC may require retailers to obtain a bond if the licensee fails to pay any tax imposed on the retail sale of marijuana items.
 - OLCC may require general liability insurance for all licensees.
- **Seed to Sale Tracking System (Section 23)** (pages 14-15):
 - OLCC shall develop and maintain a system for tracking the transfer of marijuana items between licensed premises in order to:
 - Prevent the diversion of marijuana items to other states or criminal enterprises
 - Prevent substitution or tampering
 - Ensure accurate accounting of production, processing and sales
 - Ensure that taxes are collected
 - Ensure that laboratory testing results are accurately reported
 - Ensure compliance with rules and regulations
 - The system must be capable of tracking at minimum:
 - Propagation of immature plants and the production of marijuana by a producer
 - The processing of marijuana by a processor
 - The receiving, storing and delivering of marijuana items by a wholesaler
 - The sale of marijuana items by a retailer to a consumer
 - The purchase, sale, and transfer of marijuana items between licensees
 - The collection of taxes
- **Identification Requirement (Section 24)** (page 15):
 - Requires the showing of identification prior to selling or providing a marijuana items to another person

- The OLCC may adopt rules exempting a licensee or licensee representative from this requirement
- **Protection of Persons Under 21 Years of Age (Section 25-28)** (pages 15-18):
 - Except as authorized by the Commission by rule or as necessary in an emergency, a person under 21 years of age may not enter any portion of a licensed premises that is posted or otherwise identified as being prohibited to the use of persons under 21
 - A court may require a person who misrepresents their age to perform community service and that their driving privileges or right to apply for driving privileges to be suspended for a period not to exceed one year. May grant a hardship permit. The court may order a person to undergo assessment and treatment if the person has previously violated this provision.
 - These provisions don't apply to a person under 21 years of age who is acting under the direction of the licensee, the commission or state or local law enforcement agencies for purposes of investigating possible violations of the laws prohibiting sales to those under 21 years of age
 - The person under 21 is not in violation and is immune from prosecution if they contacted emergency medical services or law enforcement to obtain medical assistance for someone else or themselves; the immunity does not apply to other crimes or offenses
 - The commission may adopt rules to require a retailer to use an age verification scanner or other equipment to verify a person's age. The marijuana retailer may not use any information obtained from this equipment for any other reason.
- **Enforcement (Section 29-31)** (page 18):
 - The commission can impose up to a \$5,000 penalty for each violation
 - The Oregon Liquor Control Commission regulatory special has peace officer authorities but may not:
 - Be sworn in as a federal law enforcement official and act in that capacity while performing peace officer duties
 - Carry a firearm
 - Conduct inspections and investigations of a primary residence
- **Marijuana Control and Regulation Fund (Section 32)** (page 19):
 - Creates a new fund separate and distinct from the general fund. Moneys are continuously appropriate to the OLCC to administer and enforce Measure 91
- **Land Use (Section 33)** (page 18-20):
 - The governing body of a city or county may adopt ordinances that impose reasonable regulations on the operation of businesses located at licensee premises except that they may not adopt an ordinance that prohibits retail licensees to be located more than 1,000 feet from each other
 - Activities not allowed on land designated for exclusive farm use include:
 - A new dwelling used in conjunction with a marijuana crop
 - A farm stand
 - A commercial activity
 - Prior to issuance of a license the OLCC shall request a land use compatibility statement from the city or county that authorizes the land use. The commission may not issue a

license if the land use compatibility statement shows that the proposed use is prohibited in the applicable zone.

- The city or county must act on the request for a land use compatibility statement within 21 days of receipt of the request if the land use is allowable as an outright permitted use or the date of final local permit approval if the land use is allowable as a conditional use
- **Local Option Tax (Section 34a)** (page 20):
 - The authority to impose a tax or fee is vested solely in the legislative assembly except the city or county may adopt an ordinance to be referred to the votes to impose a tax or fee on the sale marijuana products not to exceed 3%. This ability to impose a tax goes away permanently if the city or county opts out of granting licenses
- **Form and Style Amendments (Section 34-79)** (pages 20-28):
 - Section 70 which addresses taxation at the grower level was replaced by HB 2041 which taxes marijuana products at the retail level.

Oregon Medical Marijuana Act - Operative March 1, 2016

- **Definitions (Section 80)** (pages 29-31)
- **Registry Identification Cardholders and Designated Primary Caregivers (Section 80a-80c)** (pages 32-36):
 - Requires the Oregon Health Authority to establish a program for issuance of medical marijuana cards and includes language of how that should be done
- **Medical Marijuana Producers (Section 81-81b)** (pages 37-40):
 - OHA shall establish a marijuana grow site registration system to track and regulate the production of marijuana as designated by a medical card holder
 - Requires proof that until January 1, 2020 that the person responsible for the grow site has been a resident of Oregon for two or more years.
 - The OHA may conduct a criminal records check; if the person is convicted of a single class A or class B felony for the manufacture or delivery of a controlled substance the person may not be responsible for a grow site for two years from the date of conviction; if more than one, they may not be responsible for the site
 - States that all seeds, immature marijuana plants, mature marijuana plants and usable marijuana are the property of the registry identification cardholder
 - The registry identification cardholder or caregiver may reimburse a grower for costs
 - OHA may charge a fee
 - Each month the producer must submit to the OHA the following information:
 - Number of mature marijuana plants and immature marijuana plants,
 - The amount of marijuana leaves and flowers being dried
 - The amount of usable marijuana
 - The products that are transferred to each cardholder
- **Grow Site Possession Limits (Section 82-82b)** (pages 40-42):
 - A cardholder and the designated primary caregiver may jointly possess six or fewer mature plants

- A person may be designated to produce marijuana by no more than four cardholders and produce no more than six mature plants for each cardholder
- The grower can produce no more than 12 mature plants if the grower is located within city limits in an area zoned for residential use unless that grower was registered with OHA before January 1, 2015 (plant count can't exceed 24)
- In areas outside of residential areas, the grower may produce no more than 48 mature plants unless the grower was registered with OHA before January 1, 2015 (plant count can't exceed 94)
- The cardholder and their primary caregiver may jointly possess no more than 24 ounces of useable marijuana
- A grower may not possess usable marijuana in excess of 12 pounds per mature plant if the grow site is located outdoors, or six pounds if the grow site is located indoors.
- **Personal Agreements (Section 83)** (page 42):
 - The cardholder can assign rights to the grower to possess the seeds, immature marijuana plants and usable marijuana that are the property of the cardholder.
- **Proof of Issuance (Section 84)** (pages 42-43):
 - A cardholder must have their card when possessing any marijuana in a location other than the grow site on file with OHA
- **Medical Marijuana Processors (Section 85-85d)** (pages 43-45)
 - The OHA shall establish a marijuana processing site registration system
 - Subject to residency requirements
 - OHA shall require a criminal records check
 - Processors shall maintain documentation of each transfer of marijuana and marijuana products
 - OHA may inspect records, may refuse to register or suspend or revoke registration
 - OHA shall adopt fees
 - OHA shall require testing; products must meet any public health and safety standards established by the OHA
 - OHA shall require a marijuana processing site to report the amount of usable marijuana and marijuana products, concentrates and extracts transferred
 - Medical processors can only transfer products to cardholders, a designated caregiver or a medical marijuana dispensary
 - A person other than a marijuana processing site may not transfer products to a medical marijuana dispensary
- **Database (Section 85e)** (page 45):
 - OHA shall develop a database related to the production, processing and transfer of products
 - OHA may provide some information to regulatory agencies of a city or county
- **Medical Marijuana Dispensaries (Section 86-86b)** (pages 45-49):
 - OHA shall establish a medical marijuana dispensary registration system for the purpose of tracking and regulation
 - May not be located in an area that is zoned for residential use

- May not be located within 1,000 feet of a public elementary or secondary school or a private or parochial elementary or secondary school; the dispensary does not need to move if a school opens later
- Shall maintain documentation of each product transfer
- Requires each dispensary to install and maintain a minimum security system that includes video surveillance, an alarm system and a safe
- Requires tested products
- **Designation, Assignment and Foreclosure (Section 86c-86e)** (page 49):
 - A person responsible for a marijuana processing site or a person responsible for a dispensary may designate that responsibility to another person after submitting to OHA proof that the designee meets OHA requirements
- **Exemptions from Criminal Liability and Affirmative Defense (Section 87)** (pages 49-51):
 - Exempts patients, caregivers, employees, owners from criminal offenses for possession, delivery or manufacture of marijuana of quantities allowed by law
- **General Powers (Section 88-88b)** (page 51):
 - May impose a civil penalty that does not exceed \$500 for each day that a violation occurs
 - Upon request the State Department of Agriculture and the OLCC pursuant to an agreement or otherwise, shall assist the OHA in implementation and enforcement
- **Exemption from Civil Liability (Section 88c)** (pages 51-52):
 - OHA, State Department of Agriculture and the OLCC are immune from any cause of action for the performance or the failure to perform duties required of implementation
- **Confidentiality (Section 88d-88e)** (page 52):
 - Personally identifiable information other than the name and address submitted with an application is confidential and not subject to public disclosure
- **Seeds (Section 88f)** (page 52):
 - The production and processing of seeds is not subject to labeling
- **Ordinances (Section 89)** (pages 52-53):
 - Reasonable regulations means reasonable limits on the hours during which the grow sites, processors or retailers may operate
 - Reasonable conditions in which a marijuana processing site or dispensary may transfer products
 - Reasonable limitations on locations
- **Other Amendments (Section 90-90i)** (pages 53-56):
 - Allows releasing of information to authorized employees of state or local law enforcement agencies for purposes of verifying information

Testing - Operative January 1, 2016

- **Sections 91-99** (pages 56-60):
 - As necessary to protect the public health and safety, the Oregon Health Authority, in consultation with the Oregon Liquor Control Commission and the State Department of Agriculture, shall adopt rules to:
 - Establish standards for testing marijuana items

- Identify the appropriate tests
- Test for at minimum:
 - Microbiological contaminants
 - Pesticides
 - Other contaminants
 - Solvents or residual solvents
 - THC and cannabinoid concentration
- Determine batch and sampling sizes
- Establish different minimum standards for different products
- The authority and the commission may conduct random tests; may not require more than one test unless the tested product is transferred into a different type of product
 - Must be conducted by a laboratory licensed by the Commission
- Licensing labs – OHA provides lab accreditation; OLCC issues the license

Packaging, Labeling and Dosage - Operative January 1, 2016

- **Sections 100-112** (pages 60-64)
 - OHA adopts rules establishing standards for labeling in consultation with OLCC and ODA
 - Health and safety warnings
 - Activation time
 - Results of testing
 - Potency
 - Serving sizes and number of servings
 - Content
 - The OLCC may require a licensee and the OHA may by rule require a registrant to submit a label intended for use on a marijuana item for preapproval by the Commission; the Commission may impose a fee
 - OLCC shall adopt rules in consultation with OHA and DOA for packaging standards
 - Packaged in child-resistant safety packaged and not marketed in a manner that is untruthful or misleading, attractive to minors or creates a significant risk of harm to public health and safety
 - Can preapprove packaging

Research Certificate - Operative November 15, 2015

- **Section 113** (pages 64-65)
 - OLCC in consultation with OHA and DOA shall establish a program for identifying certifying private and public researchers of cannabis

Cannabinoid Edibles - Operative January 1, 2016

- **Section 114-115** (page 65)
 - State Department of Agriculture may not establish standards for marijuana as a food additive or consider marijuana to be an adulterant unless concentrations exceed acceptable limited established by the Oregon Health Authority

Medical Marijuana Grow Site Opt-In - Operative January 1, 2016

- **Section 116** (pages 65-66)
 - A medical marijuana grower may apply for an opt-in license provided that all individuals registered with the OHA are listed on the application
 - Need to meet criminal background check requirements
 - Agrees to OLCC tracking; not subject to medical marijuana tracking requirements
 - Provides proof of obtaining permission to apply for license from cardholders
 - OLCC may waive rules
 - Licensee may not possess more the amount or number of marijuana plants permitted
 - May sell immature plants and usable marijuana in excess of amounts produced for cardholders to a person who holds an OLCC issued license

Cannabis Education Program - Effective on Passage

- **Section 117-118** (page 66)
 - The Oregon Health Authority, State Board of Education and Alcohol and Drug Policy Commission shall collaborate on developing marijuana abuse prevention curricula and public information programs for students, parents, teachers, administrators and school board members.

Crimes - Effective on Passage

- **Section 119-129** (pages 66-72)
 - Specifies crimes for violations
 - Unlawful delivery of marijuana is a Class A misdemeanor instead of Class B or Class C felony outlined in Measure 91
 - Reduces to Class C felony (from Class A) if delivery is to a person under 18 and the defendant is at least 21
 - Raises the amount of marijuana possessed to be classed at higher charge
 - Allows a person with a previous conviction to file a motion for a court order to set aside the conviction and states that the court shall consider the offense to be classified as if the conduct occurred on or after the effective date of HB 3400

Retail Drug Outlets - Effective on Passage

- **Section 130-131** (page 72-73)
 - The State Board of Pharmacy shall establish rules for disposal of marijuana left behind by individuals visiting retail drug outlets

Task Force - Effective on Passage

- **Section 132** (pages 73-74)
 - Creates the Task Force on Cannabis Environmental Best Practices consisting of 13 members
 - 2 members of the Senate
 - 2 members of the House
 - Utilities
 - Electricians
 - 2 representatives of the Cannabis industry
 - 1 from Department of Agriculture
 - 1 from Water Resources Department
 - 1 from Public Utility Commission
 - 1 from the State Department of Energy
 - 1 from the Energy Trust of Oregon
 - Shall study the use of electricity and water and agricultural practices associated with the growing of cannabis and suggest environmental best practices
 - Shall submit a report with recommendations for legislation to an interim committee of the Legislative Assembly no later than September 14, 2016
 - The OLCC shall provide staff support

Local Option - Effective on Passage

- **Section 133-136** (pages 74-76)
 - Governing bodies of a city or county where at least 55% of the votes cast were in opposition to Measure 91 may adopt ordinances that prohibit the establishments of marijuana processing sites, medical marijuana dispensaries, producers, processors, wholesalers, retailers
 - Must do it within 180 days after effective date of HB 3400
 - Those who opt out may not impose the optional local government tax or receive marijuana tax distributions
 - Grandfathers in existing medical marijuana dispensaries that has successfully completed a city or county land use application
 - Other city or county bodies may adopt an ordinance to be referred to voters to prohibit or allow marijuana businesses
 - Must provide text to OHA or OLCC

- Licensing must be deferred until after the vote at the next statewide general election
 - Those who opt out may not impose the optional local government tax or receive marijuana tax distributions
- Grandfathers existing medical marijuana dispensaries if they meet land use requirements

Other Amendments - Operative January 1, 2016

- **Section 137-169** (pages 76-108)
 - Clean up language

Annual Report/Temporary Provisions - Effective on Passage

- **Section 171-172** (pages 109-110)
 - OLCC shall examine available research and may conduct or commission new research to investigate the influence of marijuana on the ability to drive a vehicle and on the concentration of THC in a person's blood and shall present the results of the research to the interim committees of the Legislative Assembly related to judiciary
 - OLCC shall approve or deny applications as soon as practicable after January 4, 2016

Repeals, Conflicts, Series Placement, Dates, Captions, Emergency Clause

- **Sections 175-182** (pages 110-111)
 - Clarifies the operative dates
 - OHA and OLCC may take action before the operative dates on some sections of the law
 - Act takes effect upon passage

BUDGET LEGISLATION

SB 501 (Bottle Surcharge Credited to General Fund)

Introduced by: Senator Monnes Anderson, Representatives Gorsek, Piluso

House vote: Ayes-42, Nays-16, Excused-2 Senate vote: Ayes-22, Nays-8, Excused-0

Implements statutory changes necessary to support the 2015-17 legislatively adopted budget and clarifies the application of statutes. This legislation clarifies that the moneys attributable to the bottle surcharge imposed by the OLCC shall be credited to the General Fund.

SB 605 (Repayment of Liquor Fund from Marijuana Tax Fund)

Introduced by: Joint Committee on Ways and Means

House vote: Ayes-50, Nays-4, Excused-6 Senate vote: Ayes-20, Nays-9, Excused-1

Authorizes the use of liquor funds for Measure 91 implementation expenses for the 2013-15 and the 2015-17 biennium. This expenditure is a 2% interest loan that must be repaid from the Oregon Marijuana Account.

HB 5047 (Measure 91 and Medical Marijuana Budget)

Introduced by: Oregon Department of Administration

House vote: Ayes-51, Nays-9, Excused-0 Senate vote: Ayes-27, Nays-3, Excused-0

Provides Other Funds expenditure limitations to implement four bills relating to marijuana programs:

- HB 3400 (Recreational and Medical Marijuana),
- HB 2041 (Retail Tax),
- SB 460 (Early Start) and
- SB 844 (Task Force on Medical and Public Health Properties of Cannabis)

The five agencies affected are the Oregon Liquor Control Commission (OLCC), Oregon Health Authority (OHA), Department of Revenue (DOR), Department of Agriculture, and the Department of Human Services.

Agency	Budget	Positions (FTE)
OLCC	8,332,933	30 (24.91)
Oregon Health Authority	6,693,787	37 (23.25)
Department of Revenue	1,864,453	6 (3.15)
Department of Agriculture	212,641	1 (1)
Department of Human Services	386,411	3 (2.59)

OLCC

Revenue to support the OLCC regulatory functions will be recovered from licensees after startup costs borrowed from the liquor fund are fully repaid with Marijuana Tax proceeds. The recommended budget anticipates an estimated average license fee of between \$4,000-\$4,500 on recreational marijuana licensees, which include growers, wholesalers, processors, retailers, and laboratories and research certificates. In addition, marijuana handlers will pay a license fee to cover the costs of an education program and background checks. Licenses are on an annual basis and revenue is estimated to begin in April of 2016.

The approved budget for the 2015-17 biennium implementation of Measure 91 is \$8.3 million. \$3.8 million is for personal services (30 positions, 24.91 FTE; 6 positions are limited duration):

- 1 Program Manager (supervise implementation and ongoing management)
- 3 Operations and Policy Specialists (rulemaking, policy advisory groups, project management including IT, contracting, task forces, quantitative analysis, DUII standards)
- 3 Compliance Specialist (Public safety, packaging and labeling, testing lab standards; 1 phased in limited duration, appeals on license denials and violations)
- 3 Administrative Support positions (logistics coordination, implement administrative processes, research, analysis, coordinate program activities, licensing services, hearings and violations, background checks)
- 1 Info Systems Specialist (licensing, computer set-up, maintenance)
- 1 Office Specialist (license applications, certificates)
- 1 Public Affairs Specialist (outreach, public safety messaging, managing media requests)
- 11 Regulatory Specialists (phased in; four limited duration, state-wide regulatory and licensing)
- 4 Accounting staff (phased in; handle insurance bonding requirements, auditing of traceability system and support to the Department of Revenue for marijuana tax collection accuracy, licensing fee payment and administration of the Marijuana Control and Regulation Fund)
- 1 Human Resource Analyst (limited duration, advertising, recruitment and hiring)
- 1 Procurement and Contract Specialist (procurement, lease agreements, contracting, supplies, IT services)

One-time services and supplies costs included in the budget are:

- Development, procurement and management of the agency's licensing and traceability system (\$1.9 million)
- Office set up for new employees
- Purchase of vehicles for additional enforcement staff and inspections
- Repayment of start-up costs incurred in the 2015-17 biennium, and
- Consulting costs related to expertise in product labeling, impairment, and other specialty information needs

Ongoing costs included are OLCC administrative overhead, IT systems maintenance and licensing, Department of Justice costs, state government service charges, and additional expenses in telecommunications, travel and employee training due to the number of new staff.

Budget Note: When setting fees for the recreational marijuana program, the Oregon Liquor Control Commission shall consider the following:

- Fees charged should provide for sustainable operations in the 2017-19 biennium and beyond
- Fees charged should consider the relative size and scale of operation for all classes of licenses (growers, processors, wholesalers and retailers)
- Fees charged to licensees should not be lower than those charged by the Oregon Health Authority for equivalent medical marijuana license classes.

The OLCC shall report quarterly to the Legislative Fiscal Office on the number of license applications, the number of licenses approved, fee amounts received, marijuana program expenditures, and progress on implementing technology initiatives associated with the recreational marijuana program.

Oregon Health Authority

The Oregon Health Authority anticipates revenues from licensing fees on medical marijuana growers and processors to be approximately \$4 to \$5 million during the 2015-17 biennium and will use a portion of their current ending balances for the existing medical marijuana program and dispensary program in order to start work on implementing their new responsibilities before fee revenues are received.

Staffing is included to do inspections and enforcement related to medical marijuana grow sites, processors and dispensaries, including work related to the early start of retail sales in dispensaries. The budget includes staff to manage the program, including policy, rule-making, communication and education. Other staff will ensure the accountability of tracking and product reporting, including the monitoring and tracking of fiscal and auditing functions as well as data analysis and process improvement. A limited duration position is included to staff the Task Force on Medical and Public Health Research of Cannabis, as required in SB 844.

OHA anticipates using the OLCC tracking system, rather than building their own. The agency expects to pay OLCC roughly \$400,000 for the use of the system during the 2015-17 biennium; however, this estimate is preliminary. Other costs include system work related to reporting as well as the development of a licensing system to handle growers, processors and dispensaries and background checks.

OHA is expected to report back to the Joint Committee on Ways and Means during the 2016 legislative session on program implementation, including expenditures and fee levels.

Department of Revenue

Expenses are funded from gross marijuana tax proceeds with the remainder to be deposited into the Oregon Marijuana Account for distribution:

- 40% to the Common School Fund
- 20% to the Mental Health Alcoholism and Drug Services Account
- 15% to the State Police Account
- 10% to cities in the following shares:

- Before July 1, 2017 – dispersed in shares: the population of each city compared to the total city population of the state.
- After July 1, 2017 – 50% dispersed in shares: the number of licenses issued under sections 19 to 21, chapter 1, Oregon Laws 2015 (producers, processors and wholesalers) by the commission in the city as compared to the total licenses in this section in the state; and 50% dispersed in shares: the number of licenses issued under section 22, chapter 1, Oregon Laws 2015 (retailers) by the commission in the city as compared to the total licenses in this section in the state.
- A city that adopts ordinances prohibiting the establishment of licensees is not eligible to receive distributions.
- 10% to counties in the following shares:
 - Before July 1, 2017 – dispersed in shares: the population of each county compared to the total population of the state.
 - After July 1, 2017 – 50% dispersed in shares: the number of licenses issued under sections 19 to 21, chapter 1, Oregon Laws 2015 (producers, processors and wholesalers) by the commission in the county as compared to the total licenses in this section in the state; and 50% dispersed in shares: the number of licenses issued under section 22, chapter 1, Oregon Laws 2015 (retailers) by the commission in the county as compared to the total licenses in this section in the state.
 - A county that adopts ordinances prohibiting the establishment of licensees is not eligible to receive distributions.
- 5% to the Oregon Health Authority

Staffing is included for policy analysis, program development, data analysis, oversight of revenue receipts and distribution, tax return processing, and a limited duration position for education and outreach. Funds were added for adding point-of-sale functionality to the Department’s ongoing Core Systems Replacement project, which is a commercial-off-the-shelf product. Also included is ongoing vendor operations and maintenance costs. The point-of-sale functionality is to be implemented by January 1, 2017. Until then taxes will be processed manually. The Department will begin processing tax returns from medical dispensaries one quarter after the October 2015 start date or January 4, 2016. Future considerations may need to be made for accommodating increased cash collection and handling.

Department of Agriculture

Expenses will be paid through a transfer from the OLCC. Staffing is included for the establishment of one Natural Resource Specialist 3 to serve as the Department of Agriculture’s Marijuana Policy Analyst. The position will coordinate work with state agencies and others on marijuana implementation issues. Issues to be addressed include food safety, weights and measures, pesticides, laboratory testing, nurseries, interaction with other agricultural commodities, as well as market access and development. Revenue for the Other Funds comes through a transfer from the Oregon Liquor Control Commission.

Department of Human Services

Expenses will be paid by the Oregon Health Authority. The approved budget includes funding for conducting background checks for the medical marijuana program; this cost will be paid by the Oregon Health Authority.

SB 5507 (Alcohol Budget Adjustment)

Introduced by: President of the Senate on behalf of the Department of Administrative Services

House vote: Ayes-55, Nays-3, Excused-2

Senate vote: Ayes-24, Nays-6, Excused-0

Allocates funds to the emergency board and makes adjusts state agency budgets. Administrative costs allocated in SB 5520 (alcohol budget) were reduced by \$367,287.

SB 5520 (Alcohol Budget)

Introduced by: Oregon Department of Administrative Services

House vote: Ayes-57, Nays-2, Excused-1

Senate vote: Ayes-28, Nays-1, Excused-1

Allocates funds for the administrative and liquor-related functions of the Oregon Liquor Control Commission. It does not include 2015-17 expenses associated with implementation of Measure 91. Those expenses were addressed in HB 5047.

Includes a budget of \$170,614,219 Other Funds and 230 positions. It includes expenditures for electronic licensing and commerce capability, training costs for OLCC inspectors, and upgrading an antiquated telephone system. It also includes funds to repair roofs, walls, fire alarms and HVAC to safeguard employee safety and inventory. Resources to add conveyers and sorting software to enhance shipping capacity are included to meet projected demand for distilled spirits. Agent's compensation is increased due to a continuation of the \$0.50 per bottle surcharge imposed by OLCC and due to removing a compensation formula distinction between exclusive and non-exclusive stores. The recommended budget results in an estimated net distribution of \$467.2 million in alcohol-related revenue distribution to the state general fund and statutorily designated entities in the 2015-17 biennium.

The policy option packages approved include:

- Package 104 – Increase OLCC Shipping Capacity – Upgrade Equipment. This package provides one-time expenditure limitation of \$5 million for the modernization of OLCC's conveyer system. This improvement will allow for simultaneous order fulfillment and shipping through multiple doors, increasing throughput and shipping capacity. OLCC has effectively maximized its existing shipping capacity of six million cases per biennium with its current configuration. With the modernization of the conveyer system, OLCC will be able to ship greater volumes in less time and be able to accommodate projected sales volume growth for the next decade within the same facility.
- Package 301 – Repair OLCC Facilities. This package provides one-time expenditure limitation of \$4.2 million to repair and replace several sections of roof over the OLCC's office and warehouse buildings and affected HVAC units, replace aging boilers and piping, repair wall and floor

damage and replace a portion of the fire alarm system, safeguarding employee safety and inventory.

- Package 308 – Upgrade phone system. This package provides one-time expenditure limitation of \$110,000 to purchase a new phone system. The current system is thirty years old, unsupported and relies on floppy discs and tape for backup. The new system will include new handsets and utilize Voice Over Internet Protocol, consistent with DAS’s efforts to consolidate voice communications systems.
- Package 303 – Provide Online and E-Commerce Licensing. This package provides limitation of \$250,000 for contracting information technology expertise to develop enhancements to the existing licensing system. These enhancements will enable applicants for licensees to apply and make payment online. The expectation is that OLCC will develop a deliverables-based contract that will result in online application and payment functionality. The package also provides \$55,000 expenditure limitation to accommodate additional usage of bank cards by customers that utilize the new e-commerce licensing system.
- Package 202 – Meet Peace Officer Training Requirements. This package provides expenditure limitation of \$290,900 to pay for DPSST training and additional equipment needed by OLCC inspectors.
- Package 803 – Non Exclusive Store Differential. This package provides \$612,000 expenditure limitation for OLCC to eliminate compensation formula disadvantages for those agents that operate non-exclusive liquor stores.

[SB 5543 \(Expenditure Limitation Measure 91 and Agents Compensation\)](#)

Introduced by: President of the Senate at the request of the Oregon Department of Administrative Services

House vote: Ayes-53, Nays-1, Excused-6

Senate vote: Ayes-29, Nays-0, Excused-1

Increases and decreases biennial appropriations made from the General Fund to specified state agencies and the Emergency Board. Increases OLCC other funds expenditure limitation by \$756,610 for implementation of Measure 91. Increases other funds expenditure limitation by \$250,000 for expenses related to liquor agent’s compensation with the understanding that the Department of Administrative Services will un-schedule this amount until sales data and actual additional compensation amounts are determined by the Oregon Liquor Control Commission.