

# PRELIMINARY DISCUSSION DRAFT

**Measure Number:** Initiative Petition 2020-044

**Subject:** Provides Statewide Addiction/Recovery Services; Marijuana Taxes Partially Finance; Reclassifies Possession/Penalties for Specified Drugs

**Government Unit Affected:** State government and local governments

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## Comments

Initiative Petition 44 directs the Oregon Health Authority (OHA) to establish statewide Addiction Recovery Centers (ARCs) and provide community access to care grants, changes the distribution of marijuana tax revenues and reduces drug penalties for possession of some drugs. The measure has two primary components: redistribution of marijuana revenues to fund ARCs and Community Access to Care grants and impacts related to the decriminalization of certain drug offenses.

### *Marijuana Revenue Redistribution*

Initiative Petition 44 creates the Drug Treatment and Recovery Services Fund within the State Treasury to fund addiction and recovery services for all Oregon residents. It transfers quarterly marijuana revenue in excess of \$11.25 million to the Drug Treatment and Recovery Services Fund. By applying a cap on the amount of funding for existing recipients, less funding is available to some state agency programs and local governments. The measure establishes the Oversight and Accountability Council within the Oregon Health Authority to create ARCs within coordinated care organization (CCO) service areas and fund those centers with grants to provide drug treatment and recovery services. The Council will also provide Community Access to Care grants to entities, either governmental agencies or community organizations, providing drug treatment and recovery services.

### *Decriminalization of Certain Drug Offenses*

Initiative Petition 44 decriminalizes certain drug offenses, which is expected to result in cost savings from less arrests, probation supervisions and incarcerations for individuals subject to drug related sentences. The measure directs savings that result from decriminalizing certain drug offenses are to be reinvested in the Drug Treatment and Recovery Services Fund to fund additional ARC expenditures.

## **Fiscal Impact Summary (State Government)**

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### *Executive Branch Assumptions:*

- Estimates of marijuana revenue were provided by the DAS Office of Economic Analysis and assumed 2 quarters of distributions for the 2019-21 biennium.

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- No General Fund is appropriated by the legislature to fund the Drug Treatment and Recovery Services Fund.
- The Criminal Justice Commission (CJC) estimated the number of probation supervision and/or incarceration days saved by the Department of Corrections (DOC) due to drug penalties becoming violations rather than more serious offenses. The daily rate is assumed to be \$12.067 per day, per offender. It is assumed to be a General Fund savings.
- OHA provided the estimated expenditures related to setting up the Oversight and Accountability Council and ARCs. It aligned its 2019-21 expenditures to correspond to the minimum amount of initial funding to the Drug Treatment and Recovery Services Fund, which is \$57 million.
- The cap on quarterly distributions from the Oregon Marijuana Account available in aggregate to cities, counties, the State School Fund, the State Policy Account and non-ARC related OHA programs is \$11.25 million per quarter.
- OHA non-ARC programs offering mental health, alcohol and drug abuse prevention, early intervention and treatment services programs are assumed to receive less marijuana revenue funding.
- The State School Fund currently receives a 40% distribution from the Oregon Marijuana Account. The measure will reduce the distribution dollar amounts due to a cap on the quarterly distribution amounts. The measure will not reduce State School Fund expenditures and it is assumed that lost revenue will need to be funded by the General Fund.

### *Marijuana Revenue Redistribution (State Government)*

The majority of revenue received from the Oregon Marijuana Account will fund a newly established Drug Treatment and Recovery Services Fund. The initial minimum funding is mandated to be at least \$57 million, however the source of funding is not stated in the measure. Based on the June 2020 revenue forecast, the 2019-21 estimated amount of marijuana revenue available to the Drug Treatment and Recovery Services Fund is \$61.1 million and should be sufficient to meet the initial funding requirement. Estimated marijuana revenue available to the Drug Treatment and Recovery Services Fund is estimated at \$182.4 million for the 2021-23 biennium. The measure will maintain the current Marijuana Tax distribution formula to schools, state law enforcement, local government and addictions and behavioral health services but limit those distributions to a total of \$11.25 million per quarter. The estimated marijuana state revenue redistribution is projected as follows:

<i>All dollars in millions</i>	<b>2019-21</b>	<b>2021-23</b>
Drug Treatment and Recovery Services Fund (ARCs)	\$ 61.1	\$ 182.4
State School Fund	\$ (17.1)	\$ (73.0)
Mental Health, Alcoholism and Drug Services	\$ (8.6)	\$ (36.5)
Alcohol and Drug Abuse Prevention and Intervention	\$ (2.1)	\$ (9.1)
Oregon State Police	\$ (6.5)	\$ (27.4)
<b>Net Increase In State Revenue</b>	<b>\$ 26.8</b>	<b>\$ 36.4</b>

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Revenue received by the Drug Treatment and Recovery Services Fund will be used for the following purposes: 1) creation and administration of the Oversight and Accountability Council, 2) facility start-up costs for ARCs, 3) ongoing operational costs for ARCs, 4) a temporary hotline to serve Oregonians before ARCs are operational, 5) Community Access to Care grants, and 6) costs to comply with future Secretary of State audit requests. Total expenditures for the 2019-21 biennium are estimated at \$57.3 million. Total expenditures for the 2021-23 biennium are estimated to range from \$201 million to \$207 million. Expenditures are expected to align with available revenue streams funding the Drug Treatment and Recovery Services Fund.

The measure directs ARCs to provide addiction and recovery services to any Oregon resident who requests them. ARCs will conduct an assessment of a client's medical, behavioral or other needs and determine what acute care is requested, as well as connect the client to appropriate services for both acute and non-acute conditions in an evidence-informed, trauma-informed, culturally responsive manner.

Initial facility ARC start-up costs and temporary hotline costs are one-time costs. All other costs are ongoing. ARC annual costs are for running the facilities in a 24/7/365 manner and include staffing and overhead costs. A temporary telephone ARC will be established by February 1, 2021 to serve Oregonians as permanent ARCs are established in CCO service areas. Community Access to Care grants are separate from ARC funding and are for substance use disorder treatment, peer support and recovery services, permanent supportive housing, and harm reduction interventions. Either governmental or community based organizations are eligible for Community Access to Care grant awards.

Although the amount of marijuana revenue that is distributed to the State School Fund will be reduced, the measure will not reduce State School Fund expenditures and lost revenue is assumed to be funded by the General Fund.

The State Police Account, which funds the Oregon State Patrol (OSP), will receive less marijuana revenue. The 2019-21 biennial reduction is projected at \$6.5 million and the 2021-23 estimated reduction is \$27.4 million. In the current biennium, State Police Account funds are used in the Criminal Investigation Division. Future legislative direction will determine how to implement the loss of revenue related to this measure.

OHA will experience a reduction in marijuana revenue as funds are diverted from its Mental Health, Alcoholism and Drug Services and its Alcohol and Drug Abuse Prevention and Intervention programs by \$10.7 million in the 2019-21 biennium and \$45.6 million in the 2021-23 biennium. There may be an overlap in services offered between its existing programs and ARCs that could potentially minimize reductions in service delivery.

### *Decriminalization of Certain Drug Offenses (State Government)*

The measure directs DOR to transfer savings generated from less arrests, supervisions and incarcerations from DOC to the Drug Treatment and Recovery Services Fund. DOC has estimated the amount of savings as \$0.3 million in the 2019-21 biennium and \$24.5 million in

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the 2021-23 biennium. The amounts transferred to the Drug Treatment and Recovery Services Fund will be available to fund ARC expenditures, for the same purposes described above.

<i>All dollars in millions</i>	2019-21	2021-23
Drug Treatment and Recovery Services Fund (ARCs)	\$ 0.3	\$ 24.5
Reduced DOC costs (fewer criminal penalties)	\$ (0.3)	\$ (24.5)
Total	\$ -	\$ -

## Fiscal Impact Summary (Local Government)

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### *Local Government Assumptions:*

- A reduction in marijuana revenue due to the redistribution of marijuana funds is assumed to result in a reduction in programs or services at the local level.
- The savings in DOC's community corrections expenditures will directly reduce revenues to local governments.
- Local governments will have less community corrections costs due to the decriminalization of certain drug offenses.

### *Marijuana Revenue Redistribution (Local Government)*

The measure reduces the distribution of marijuana revenue in an equal amount to cities and counties. The 2019-21 biennial reduction is \$4.3 million each and the 2021-23 biennial reduction is \$18.2 million each. The total reduction for both cities and counties is \$8.6 million in the 2019-21 biennium and \$36.4 million in the 2021-23 biennium. The corresponding reductions in programs and services at city and county levels are unknown at this point.

<i>All dollars in millions</i>	2019-21	2021-23
Cities	\$ (4.3)	\$ (18.2)
Counties	\$ (4.3)	\$ (18.2)
Net Decrease In Local Revenue	\$ (8.6)	\$ (36.4)

### *Decriminalization of Certain Drug Offenses (Local Government)*

Savings in community corrections costs resulting from less arrests, supervisions and incarcerations will be transferred from DOR to the Drug Treatment and Recovery Services Fund. Those funds will no longer be distributed to local community corrections recipients. The estimated amount of reduced revenue due to the decriminalization of certain drug offenses is \$0.3 million in the 2019-21 biennium and \$24.5 million in the 2021-23 biennium. It is assumed that local governments should see a reduction in community correction expenditures due to the reduction of some drug penalties.

### **Draft Estimate of Financial Impact:**

The initiative directs the Oregon Health Authority (OHA) to establish Addiction Recovery Centers and increase funding for other substance use disorder services, changes the distribution of marijuana tax revenues and reduces drug penalties for possession of some drugs.

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## *Marijuana Revenue Redistribution*

The initiative creates the Drug Treatment and Recovery Services Fund. It redistributes marijuana revenue above \$11.25 million per quarter from existing recipients to the fund, reducing revenue to the State School Fund, the State Police, mental health programs, and local governments. The revenue redistributions for state agency programs are summarized below:

<i>All dollars in millions</i>	<b>2019-21</b>	<b>2021-23</b>
Drug Treatment and Recovery Services Fund (ARCs)	\$ 61.1	\$ 182.4
State School Fund	\$ (17.1)	\$ (73.0)
Mental Health, Alcoholism and Drug Services	\$ (8.6)	\$ (36.5)
Alcohol and Drug Abuse Prevention and Intervention	\$ (2.1)	\$ (9.1)
Oregon State Police	\$ (6.5)	\$ (27.4)
Net Increase In State Revenue	\$ 26.8	\$ 36.4

OHA is directed to administer grants to fund the Addiction Recovery Centers (ARCs), which will offer 24 hour access to care every day of the year starting October 1, 2021. The grants will be awarded to ARCs for operational expenses as well as to organizations providing substance use disorder treatment, peer support and recovery services, permanent supportive housing, and harm reduction interventions to be provided free of charge to the recipient of the services.

The initiative requires the Legislature to provide \$57 million in annual funding (with increases for inflation) for the fund. Marijuana revenue is estimated at \$61.1 million in 2019-21 and \$182.4 million in 2021-23, which should be sufficient to meet this requirement.

The initiative reduces the marijuana revenue distribution to cities and counties. The total reduction is \$8.6 million in 2019-21 and \$36.4 million in 2021-23.

## *Decriminalization of Certain Drug Offenses*

The initiative decriminalizes certain drug offenses and transfers the savings due to lower spending on arrests, probation supervisions and incarcerations to the DTRSF to fund additional ARC expenditures. These savings are estimated at \$0.3 million in 2019-21 and \$24.5 million in 2021-23. This will reduce revenue for local government community corrections functions by \$0.3 million in 2019-21 and \$24.5 million in 2021-23.