



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

**Bill information:**

HB0304 - Require Marijuana producer and processor facility air and odor filtration (Hinkle, Jedediah )

**Status:** As Amended in House Committee

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2  | <input type="checkbox"/> Technical Concerns              |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue - DOR costs	\$278,149	\$188,399	\$190,911	\$193,465
State Special Revenue - Transfers	(\$278,149)	(\$188,399)	(\$190,911)	(\$193,465)
<b>Revenue:</b>				
General Fund	(\$189,141)	(\$128,111)	(\$129,819)	(\$131,556)
State Special Revenue	(\$89,008)	(\$60,288)	(\$61,092)	(\$61,909)
Federal Special Revenue	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<b>(\$189,141)</b>	<b>(\$128,111)</b>	<b>(\$129,819)</b>	<b>(\$131,556)</b>

**Description of fiscal impact:** HB 304, as amended, creates odor restrictions on marijuana manufacturers and cultivators that will be administered and enforced by the Department of Revenue. The inspections and odor testing with the specific odor threshold of one-part odorous air to seven parts odor-free air, will require the Department of Revenue to purchase specific odor testing equipment and an additional 2.00 FTE.

### FISCAL ANALYSIS

**Assumptions:**

Department of Revenue

- HB 304, as amended in the House Business and Labor committee, requires all marijuana manufacturing and cultivation premises to have an air filtration system or other neutralization system to reduce the odor of marijuana at the exterior of the building.

2. HB 304, as amended, allows the department to conduct more than two unannounced inspections in a year. HB 304, as amended, allows a three month instead of six month grace period for licensees to comply with the new air filtration requirements and sets a specific odor measurement threshold to constitute a violation.
3. The department is responsible for adopting rules to administer these requirements and perform inspections to determine if premises are in violation of the new odor restrictions. The department would have to measure the odors at the boundary of the licensee’s property, with the standard of one to seven ratio of odorous air to odor-free air as the threshold for a violation. Licensed facilities that are more than one mile from any other business or residence would be exempt from the odor testing and air filtration requirements.
4. To complete these inspections and consistently measure the parts of odorous air to odor-free air, the department needs an additional 2.00 FTE compliance specialists and equipment to complete the odor tests. This equipment would be a Nasal Ranger for each of the 14 inspectors at \$6,195 each for a total one-time cost of \$86,730 in FY 2024. The costs of the 2.00 FTE would be \$191,419 in FY 2024, \$188,399 in FY 2025, \$190,911 in FY 2026, and \$193,465 in FY 2027.
5. The Department of Revenue could also face an increase in litigation costs due to potential difficulties in identifying the offending licensee in areas with multiple marijuana licensees in close proximity.
6. The additional costs to the department would decrease the final distributions from the marijuana state special revenue account. The total impact would be a decrease in state special revenue distributions of \$89,008 in FY 2024, \$60,288 in FY 2025, \$61,092 in FY 2026, and \$61,909 in FY 2027. The general fund distributions would decrease by about \$189,141 in FY 2024, \$128,111 in FY 2025, \$129,819 in FY 2026, and \$131,556 in FY 2027.

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
FTE	2.00	2.00	2.00	2.00
<b><u>Expenditures:</u></b>				
Personal Services	\$168,303	\$171,005	\$173,191	\$175,409
Operating Expenses	\$109,846	\$17,394	\$17,720	\$18,056
Transfers	(\$278,149)	(\$188,399)	(\$190,911)	(\$193,465)
<b>TOTAL Expenditures</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02) - DOR costs	\$278,149	\$188,399	\$190,911	\$193,465
State Special Revenue (02) - Transfers	(\$278,149)	(\$188,399)	(\$190,911)	(\$193,465)
<b>TOTAL Funding of Exp.</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Revenues:</u></b>				
General Fund (01)	(\$189,141)	(\$128,111)	(\$129,819)	(\$131,556)
State Special Revenue (02)	(\$89,008)	(\$60,288)	(\$61,092)	(\$61,909)
<b>TOTAL Revenues</b>	<u>(\$278,149)</u>	<u>(\$188,399)</u>	<u>(\$190,911)</u>	<u>(\$193,465)</u>

<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$189,141)	(\$128,111)	(\$129,819)	(\$131,556)
State Special Revenue (02)	(\$89,008)	(\$60,288)	(\$61,092)	(\$61,909)

**NOT BY SPONSOR**

Sponsor's Initials

Date

Budget Director's Initials

Date

2-28-23