

CITY BUDGET OFFICE

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Dan Ryan, Commissioner
Carmen Rubio, Commissioner
Mingus Mapps, Commissioner
Jo Ann Hardesty, Commissioner
Mary Hull Caballero, Auditor



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CITY OF PORTLAND, OREGON

Memorandum

To: Mayor Ted Wheeler
Commissioner Dan Ryan
Commissioner Carmen Rubio
Commissioner Mingus Mapps
Commissioner Jo Ann Hardesty
Auditor Mary Hull Caballero

Cc: Tom Rinehart, Chief Administrative Officer
Michelle Kirby, Chief Financial Officer
Jessica Kinard, City Budget Director
City Bureau Directors
City Elected Officials Executives

From: Ruth Levine, Citywide Strategy & Finance Analyst
Peter Hulseman, City Economist

Date: December 15, 2021
Subject: Local Cannabis Fund Forecast

This memorandum is intended to communicate the preliminary forecast for the City's Local Cannabis Tax. The cannabis industry in Oregon, and in the nation as a whole, is still relatively new and changing rapidly. Consolidation, price fluctuations, new product development and the proliferation of legalization in other states are all factors in the consideration of the forecast. Furthermore, there was a large boost in sales during the first year of the pandemic. However, first quarter data from FY2021-22 suggest that the boost is not persisting. As a result, the forecast anticipates that revenues will return to a pre-pandemic trend with modest growth continuing throughout the forecast window. Per City financial policy and given industry dynamics and the relatively short history of this tax, this forecast represents a conservative revenue forecast.

Revenue & Expenditure Projections

After accounting for existing ongoing program expenses, **the Fund will have slightly more than \$1 million in unallocated one-time resources for FY2022-23, and almost \$900,000 of additional ongoing resources available.** Table 1 displays the current five-year forecast. Note that the reduction

in total resources in FY2022-23 is due to the combination of added ongoing commitments in FY2021-22 as well as slightly lower projected revenues.

Table 1. Recreational Cannabis Tax Forecast (\$ thousands)

Budget Category	Fiscal Year					
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Total Resources	\$13,927	\$8,866	\$7,883	\$7,997	\$8,118	\$8,295
Total Expenses (current allocations)	\$11,986	\$6,193	\$6,364	\$6,523	\$6,679	\$6,840
Available Ongoing		\$865	\$0	\$0	\$0	\$0
Available One-Time		\$1,058	\$0	\$0	\$0	\$0
Total Expenses with Adds & One-Time Spending	\$11,986	\$8,116	\$7,233	\$7,434	\$7,618	\$7,795
Ending Balance/Contingency	\$1,941	\$750	\$650	\$550	\$500	\$500
Note: Totals may not add due to rounding. FY 2021-22 figures are reflective of updated revenue forecasts and expenses.						

Background. Per the voter-approved ballot measure, recreational cannabis tax revenues can be broadly allocated to support public safety, drug and alcohol treatment, support for neighborhood small businesses, and support communities disproportionately impacted by cannabis prohibition.

Allocations to the Portland Bureau of Transportation (Vision Zero) and the Police Bureau (DUII training and Vision Zero) in FY 2017-18 comprised the majority of spending in the initial year of recreational cannabis tax revenues. In addition, recreational cannabis resources have funded community and small business grants through the Office of Community and Civic Life and Prosper Portland, as well as support activities in the Housing Bureau. In FY 2020-21, Council elected to eliminate funding to the Police Bureau, and bolster spending on social equity grants through the Office of Civic Life and to direct resources to a participatory budgeting process with Reimagine Oregon. For FY 2021-22, Council added allocations for a new BIPOC Cannabis Business Development program as well as a one-time Cannabis Business Relief Grant program. Please see the Appendix for current year allocations.

In 2019, the City Budget Office assumed management of the Recreational Cannabis Tax Fund. The Fund is managed similarly to the General Fund in that a five-year forecast will be used to determine the amount of ongoing versus one-time resources are available for the budget year. This should limit large fluctuations and allow for longer-range planning for those programs funded by this tax.

This forecast and other fund discussions are expected as part of the Council budget work sessions in March. Please contact Ruth Levine (Ruth.Levine@portlandoregon.gov, 503-865-6302) or Peter Hulseman (Peter.Hulseman@portlandoregon.gov, 503-865-6331) if you have any questions.

Appendix
Current Year Allocations for Recreational Cannabis Tax Fund

FY21-22 Adopted & Fall BMP Recreational Cannabis Tax Fund Current Year Allocations			
Expenditures	One-Time	Ongoing	Total
Civic Life – Reimagine Oregon/community-led budgeting	\$1,900,000	\$1,957,000	\$3,857,000
Civic Life – Grants (SEED carryover plus Cannabis Business Relief grants new)	\$2,490,137	\$1,030,000	\$3,520,137
Transportation - Vision Zero/traffic safety	\$1,276,298	\$1,753,257	\$3,029,555
Housing – Drug/Alcohol Treatment		\$332,690	\$332,690
Prosper – Neighborhood Prosperity Business Support		\$96,820	\$96,820
Prosper – Mercatus support/My Peoples Market		\$103,000	\$103,000
Prosper – Inclusive Business Resource Network		\$251,773	\$251,773
Prosper – BIPOC Cannabis Business Development		\$420,000	\$420,000
Prosper – Digital divide/e-commerce	\$350,000		\$350,000
City Budget Office – Administrative Support		\$25,000	\$25,000
TOTAL EXPENDITURES	\$6,016,435	\$5,969,540	\$11,985,975