



**Colorado
Legislative
Council
Staff**

HB16-1092

**FINAL
FISCAL NOTE**

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 16-0688
Prime Sponsor(s): Rep. Moreno
Sen. Marble

Date: July 13, 2016
Bill Status: Postponed Indefinitely
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BILL TOPIC: AUTHORIZE RETAIL MARIJUANA SPECIAL EVENT PERMIT

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue	<u>\$690,800</u>	<u>\$690,800</u>
General Fund	5,000	5,000
Cash Funds	685,800	685,800
State Expenditures	<u>\$790,379</u>	<u>\$685,457</u>
Cash Funds	639,100	537,463
Centrally Appropriated Costs	151,279	147,994
TABOR Impact		\$690,800
FTE Position Change	8.3 FTE	8.0 FTE
Appropriation Required: \$639,100 - Department of Revenue (FY 2016-17).		
Future Year Impacts: Ongoing revenue and expenditure increase.		

NOTE: This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Summary of Legislation

This bill authorizes a retail marijuana store to submit an application to the Marijuana Enforcement Division (MED) in the Department of Revenue (DOR) for a special event permit if the store is located in a municipality or county that has approved the sale of retail marijuana. The application must state the address and specific location for the special event, and include the identities of participating retail stores. The location must be accessible only to individuals 21 years of age and older, can be a closed street, highway, or public byway, and must have adequate security measures. The MED must approve or deny the application within 30 days. Upon approval from the MED, the application must be approved by the local licensing authority in order for the event to take place.

The state special event permit fee is \$150 per day, and the local licensing agency may also charge a fee of up to \$150 per day. Retail marijuana stores may donate marijuana products and sell retail marijuana and retail marijuana products at the special event. Fees of up to \$100 per licensee may be assessed if a violation occurs at the special event.

Retail marijuana special events are limited to 5 consecutive days and 15 days in any one calendar year. Retail marijuana and retail marijuana products can only be sold between the hours of 9:00 a.m. and midnight on the same day. Sandwiches or other food snacks must be available during all hours of service of retail marijuana or retail marijuana products, but prepared meals need not be served.

Assumptions. The revenue and expenditure estimates in this fiscal note use the following assumptions:

- special event permits will not be issued until July 1, 2016;
- program costs begin July 1, 2016;
- 424 retail marijuana stores are licensed as of January 2016;
- 60 percent (254) of stores will submit special event permits annually; and
- permits will be for three events of three-day duration per store for a total of 2,286 events; and
- each store will apply for both retail marijuana and retail marijuana products permits for each special event for a total of 4,572 daily permit fees.

State Revenue

This bill is expected to increase state revenue by **\$690,800 per year beginning in FY 2016-17**. Of this amount, \$685,800 are from fees and will be deposited into the Marijuana Cash Fund. Revenue from fines for violations occurring during the special events is estimated at \$5,000 per year and will be deposited into the General Fund. To the extent that the marijuana special events increase the amount of retail marijuana and marijuana products sales, the bill will also increase sales tax revenue to the General Fund and special sales tax revenue to the Marijuana Tax Cash Fund, but this amount cannot be determined.

Fee impact on individuals and business. Colorado Law requires legislative service agency review of measures which create or increase any fee collected by a state agency. Table 1 below identifies the fee impact of this bill.

Table 1. Fee Impact on Retail Marijuana Businesses under HB 16-1092			
Type of Fee	Proposed Fee	Permit Applications	Total Fee Impact
<i>FY 2016-17</i>			<i>\$685,800</i>
Retail Marijuana Special Event Permit	\$150	2,286	342,900
Retail Marijuana Products Special Event Permit	150	2,286	342,900
<i>FY 2017-18</i>			<i>\$685,800</i>
Retail Marijuana Special Event Permit	150	2,286	342,900
Retail Marijuana Products Special Event Permit	150	2,286	342,900
TOTAL			\$1,371,600

TABOR Impact

This bill increases state revenue from fees and fines, which will increase the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund.

State Expenditures

This bill will increase cash fund expenditures by **\$790,379 and 8.3 FTE in FY 2016-17 and \$685,457 and 8.0 FTE in FY 2017-18** and future years for the MED in the DOR from the Marijuana Cash Fund. These expenditures are shown in Table 2 and explained below.

Cost Components	FY 2016-17	FY 2017-18
Personal Services	\$465,935	\$453,159
FTE	8.3 FTE	8.0 FTE
Operating Expenses and Capital Outlay Costs	45,509	7,600
Computer Programming	8,000	
Leased Vehicles	43,266	43,266
Law Enforcement Equipment and Supplies	28,885	4,935
Legal Services	47,505	28,503
Centrally Appropriated Costs*	151,279	147,994
TOTAL	\$790,379	\$685,457

* Centrally appropriated costs are not included in the bill's appropriation.

Staffing. The MED will add eight FTE to conduct compliance operations and investigations related to the special event permits. New staff include five criminal investigators, two compliance investigators, and one administrative assistant. Staff will be responsible for:

- conducting investigations related to the special event permit applications;
- reviewing and verifying local ordinances, building and zoning requirements, traffic and public safety requirements for special event permit applications;
- monitoring special event and ensure licensee compliance; and
- taking enforcement action as needed.

Operating expenses and capital outlay costs. In FY 2016-17 the MED will have capital outlay and operating expenses for eight new staff. This includes computers, furniture, supplies, and telephones. Ongoing costs are for telephones and supplies.

Computer programming. This bill requires changes to the DOR's GenTax software system. Changes are programmed by a contractor at a rate of \$200 per hour. The changes in this bill are expected to increase expenditures by \$8,000 representing 40 hours of programming. All GenTax programming changes are tested by DOR staff. Testing for this bill will require the addition of 0.3 FTE in the Taxpayer Service Division for FY 2016-17 only.

Leased vehicles. The permitted events will take place outside of regular business hours throughout the state. To address the hours and locations of special events, six new vehicles are required at an annual cost of \$7,211 per vehicle.

Law enforcement equipment. The five new criminal investigators will hold peace officer status. The MED will supply these investigators with appropriate police equipment for one-time capital equipment costs of \$23,950 and ongoing annual supply costs of \$4,935.

Legal costs. Legal services costs of \$47,505 in FY 2016-17, and \$28,503 in FY 2017-18 and every year thereafter are for general counsel, rulemaking, anticipated litigation, and legal resources for special event permitted activities.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 3.

Table 3. Centrally Appropriated Costs Under HB16-1092		
Cost Components	FY 2016-17	FY 2017-18
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$66,587	\$64,188
Supplemental Employee Retirement Payments	39,872	40,606
Leased Space	44,820	43,200
TOTAL	\$151,279	\$147,994

Local Government Impact

Local governments that allow the sale of retail marijuana will have an increase in revenue and expenditures under this bill if they choose to allow retail marijuana special events. Using the same assumptions of 4,572 permit days, local governments will have an increase in revenue of \$685,800 per year. The bill gives local governments 20 days to review and approve or deny special event permit applications after receiving the written approval of the MED. This short review process may require additional staffing for some local governments. Law enforcement resources will be required to monitor special events, and the local health department will need field staff to monitor food safety.

Technical Note

The bill requires approval from the MED prior to the local government permit. In common practice as it relates to alcohol, applicants for special events must apply for local permits first. Local governments are responsible for regulating zoning, traffic, law enforcement, and sanitation that are necessary for consideration of a permit application.

Effective Date

The bill was postponed indefinitely by the House Public Health Care and Human Services Committee on February 16, 2016.

State Appropriations

For FY 2016-17, the Department of Revenue requires an appropriation of \$639,100 from the Marijuana Cash Fund and an allocation of 8.3 FTE. Of this \$47,505 is reappropriated to the Department of Law and \$43,266 is reappropriated to the Department of Personnel and Administration.

State and Local Government Contacts

Counties	Governor's Marijuana Office	Law
Municipalities	Information Technology	Personnel and Administration
Revenue		

Research Note Available

An LCS Research Note for House Bill 16-1092 is available online and through the iLegislate app. Research notes provide additional policy and background information about the bill and summarize action taken by the General Assembly concerning the bill.