

**JBC STAFF FISCAL ANALYSIS
SENATE APPROPRIATIONS COMMITTEE**

CONCERNING CHANGES TO THE REQUIREMENTS FOR OWNERS OF A LICENSED MARIJUANA BUSINESS.

Prime Sponsors: Senator Holbert
Representative Pabon

JBC Analyst: Scott Thompson
Phone: 303-866-2061
Date Prepared: March 29, 2016

Fiscal Impact of Bill as Amended to Date

The most recent Legislative Council Staff Fiscal Note (attached) reflects the fiscal impact of the bill as of 02/16/16.

	No Change: Attached LCS Fiscal Note accurately reflects the fiscal impact of the bill
	Update: Fiscal impact has changed due to <i>new information or technical issues</i>
XXX	Update: Fiscal impact has changed due to <i>amendment adopted</i> after LCS Fiscal Note was prepared
	Non-Concurrence: JBC Staff and Legislative Council Staff disagree about the fiscal impact of the bill

The Senate Business, Labor, and Technology Committee Report (02/17/16) includes amendments to the bill. Legislative Council Staff and JBC Staff agree that the committee amendments change the fiscal impact of the bill, which is described below.

The amendments to the bill expands the definition of "Permitted Economic Interest" to include virtually all business entities that are provided for by law with the exception of publicly traded companies. The amendments also expand the types of interests a Permitted Economic Interest can hold. Finally, the amendments adopted in committee change the annual fee for Permitted Economic Interests to one that is paid once every three years.

The expansion of the types of interests and the allowable entities that can hold Permitted Economic Interests drives the majority of the increased cost, because it allows the marijuana industry to make more complicated ownership agreements. In order to comply with constitutional and statutory provisions, the Department must ensure that participants in the marijuana industry are not connected to illegal trafficking of drugs or other illicit activities. Because the amendments allow even further complications to the ownership agreements for marijuana entities than the Marijuana Enforcement Division currently investigates, it requires a substantial increase in resources dedicated to providing background checks and investigations.

Legislative Council Staff and JBC Staff agree that the updated fiscal impacts are summarized by the table on the next page.

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue	<u>at least \$2,549,800</u>	<u>at least \$5,096,200</u>
Cash Funds	at least 2,549,800	at least 5,096,200
State Expenditures	<u>\$1,959,785</u>	<u>\$2,372,578</u>
Cash Funds	1,714,380	2,068,863
Centrally Appropriated Costs	245,405	303,715
TABOR Impact	\$2,549,800	\$5,096,200
FTE Position Change	19.2 FTE	23.4 FTE
Appropriation Required: \$1,714,380 - Multiple agencies (FY 2016-17).		
Future Year Impacts: Ongoing state revenue and expenditure increases.		

State Appropriations

Legislative Council Staff and JBC Staff agree that for FY 2016-17, the bill requires the following appropriations:

- ! the Department of Revenue - \$1,714,380 from the Marijuana Cash Fund and an allocation of 18.8 FTE;
- ! the Department of Law - \$76,008 reappropriated funds and an allocation of 0.4 FTE; and
- ! the Department of Public Safety - \$6,202 reappropriated funds.

Amendments in This Packet for Consideration by Appropriations Committee

Amendment	Description
J.001	Staff-prepared appropriation amendment

Current Appropriations Clause in Bill

The bill requires but does not contain an appropriation clause.

Description of Amendments in This Packet

J.001 Staff has prepared amendment **J.001** (attached) to add a provision appropriating a total of \$1,714,380 cash funds to the Department of Revenue for FY 2016-17 from the Marijuana Cash Fund. This provision also states that the appropriation is based on the assumption(s) that the Department will require an additional 18.0 FTE to implement the act. The amendment also includes a provision transferring \$76,008 of the appropriation to the Department of Revenue to the Department of Law for the provision of legal services, and is based on the assumption that the Department of Law will require an additional 0.4 FTE.

Finally, the amendment transfers \$6,202 from the Department of Revenue appropriation to the Department of Public Safety for the Colorado Bureau of Investigation to complete background checks for the Department of Revenue.

Points to Consider*TABOR/ Excess State Revenues Impact*

The Joint Budget Committee (JBC) has proposed a budget package for FY 2016-17 based on the March 2016 Legislative Council Staff revenue forecast. Based on the legislation that is included as part of the budget package, revenues are projected to be \$64.2 million lower than the threshold above which money will be required to be refunded under TABOR for FY 2016-17. This bill is projected to increase cash fund revenues by \$2.5 million in FY 2016-17, and is thus not projected to trigger a TABOR refund for FY 2016-17. This bill would, however, increase the projected TABOR refund for FY 2017-18 by \$5.1 million. As TABOR refunds are paid from the General Fund, this bill would reduce the amount of General Fund available for other purposes in FY 2017-18.