



**Colorado
Legislative
Council
Staff**

SB17-111

FISCAL NOTE

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

Drafting Number: LLS 17-0803 **Date:** February 13, 2017
Prime Sponsor(s): Sen. Neville T. **Bill Status:** Senate Business
 Rep. Michaelson Jenet; Gray **Fiscal Analyst:** Clare Pramuk (303-866-2677)

BILL TOPIC: MEDICAL MARIJUANA INVENTORY SHORTFALL FIXES

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	<u>\$95,029</u>	<u>\$103,752</u>
Cash Funds	95,029	103,752
State Expenditures	<u>\$95,029</u>	<u>\$103,752</u>
Cash Funds	80,428	85,655
Centrally Appropriated Costs	14,601	18,097
TABOR Impact	\$95,029	\$103,752
FTE Position Change	0.9 FTE	1.1 FTE
Appropriation Required: \$80,428 - Department of Revenue (FY 2017-18).		
Future Year Impacts: Ongoing revenue and expenditure increase.		

Summary of Legislation

This bill increases the amount of total on-hand inventory of medical marijuana that a medical marijuana licensee can purchase from another medical marijuana center from 30 percent to 50 percent. The percentage a medical marijuana center can sell to another medical marijuana licensee is also increased to 50 percent of its on-hand inventory. The bill allows a medical marijuana licensee to transfer medical marijuana to another licensee without limitation if the licensees share a common owner.

Background

Medical marijuana regulation. Under the medical marijuana code, businesses that grow, transport, process, test, and sell retail marijuana are licensed by the Marijuana Enforcement Division (MED) in the Department of Revenue. The medical marijuana code requires that cultivation, processing, manufacturing, and sales of medical marijuana share a common ownership. This type of market regulation is know as vertical integration. As of January 1, 2017, the medical marijuana market included the following numbers of licensees that will be subject to this bill:

- 528 Medical Marijuana Centers;
- 751 Optional Premises Cultivations; and
- 254 Medical Marijuana-infused Products Manufacturers.

State Revenue

This bill will increase state cash fund revenue by \$95,029 in FY 2017-18 and \$103,752 in FY 2018-19 to the Marijuana Cash Fund.

Fee impact on medical marijuana licensees. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. This bill will require a fee increase for medical marijuana licensees that will cover the expenditures of the bill. If the expenditures are divided equally among all the licensees, the increase will range between \$62 and \$68 per licensee. Actual fee calculations will be set administratively by the Department of Revenue based on cash fund balance, estimated program costs, and the estimated number of licenses subject to the fee.

TABOR Impact

This bill increases state cash fund revenue from fees, which will increase the amount of money required to be refunded under TABOR for FY 2017-18 and FY 2018-19. TABOR refunds are paid out of the General Fund. Since the bill increases the TABOR refund obligation without a corresponding change in General Fund revenue, the amount of money available in the General Fund for the budget will decrease by an identical amount.

State Expenditures

This bill is expected to increase cash fund expenditures by \$95,029 and 0.9 FTE in FY 2017-18 and \$103,752 and 1.1 FTE in FY 2018-19 from the Marijuana Cash Fund. These costs are shown in Table 1 and described below.

Table 1. Expenditures Under SB17-111		
Cost Components	FY 2017-18	FY 2018-19
Personal Services	\$44,503	\$53,943
FTE	0.9 FTE	1.1 FTE
Operating Expenses and Capital Outlay Costs	5,463	950
Legal Services	22,812	22,812
Travel	7,650	7,950
Centrally Appropriated Costs*	14,601	18,097
TOTAL	\$95,029	\$103,752

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

in FY 2017-18, the MED will increase its compliance investigator staff by 0.8 FTE, increasing to 1.0 FTE in FY 2018-19, to investigate and review ownership structures of businesses involved in transfers to determine whether the 50 percent limit or the common owner exception applies to each transfer. and to determine if businesses are manipulating their ownership structures to evade the 50 percent limit. The fiscal note includes legal services costs for two cases annually where exploitation of the common owner exception requires enforcement action. This is expected to require 120 hours per case at \$95.05 per hour provided by the Department of Law. The Department of Law will require 0.1 FTE to address this workload. The expenditures shown in Table 1 also include capital, operating and travel expenses for the investigative staff.

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 2.

Table 2. Centrally Appropriated Costs Under SB17-111		
Cost Components	FY 2017-18	FY 2018-19
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$6,293	\$7,863
Supplemental Employee Retirement Payments	3,988	4,834
Leased Space	4,320	5,400
TOTAL	\$14,601	\$18,097

Effective Date

The bill takes effect August 9, 2017, if the General Assembly adjourns on May 10, 2017, as scheduled, and no referendum petition is filed.

State Appropriations

For FY 2017-18, the Department of Revenue requires an appropriation of \$80,428 from the Marijuana Cash Fund and an allocation of 0.8 FTE. The Department of Law requires \$22,812 in reappropriated funds and an allocation of 0.1 FTE.

State and Local Government Contacts

Information Technology Law Revenue