



**Colorado
Legislative
Council
Staff**

SB17-275

**REVISED
FISCAL NOTE**

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

Drafting Number: LLS 17-1025

Date: May 2, 2017

Prime Sponsor(s): Sen. Baumgardner; Jahn

Bill Status: Senate Finance

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BILL TOPIC: MARIJUANA PESTICIDES TEST MEDICAL EFFECTIVENESS

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	<u>\$62,210</u>	<u>\$9,505</u>
Cash Funds	62,210	9,505
State Expenditures	<u>\$62,210</u>	<u>\$9,505</u>
Cash Funds	62,210	9,505
TABOR Impact	\$62,210	\$9,505
FTE Position Change	0.1 FTE	
Appropriation Required: \$62,210 - Department of Revenue (FY 2017-18).		
Future Year Impacts: Ongoing revenue and expenditure increase.		

Summary of Legislation

As amended by the Senate Agriculture Committee, this bill allows Marijuana Tax Cash Fund (MTCF) moneys to be used for research into the health effects of marijuana and allows pesticide manufacturers to conduct research on the cultivation of medical and retail marijuana. Specifically, the bill:

- allows up to one percent of available moneys in the MTCF to be used for grants to conduct medical research on Colorado grown marijuana;
- allows a medical or retail marijuana licensee to transfer marijuana to a medical research facility for research studies funded under the Medical Marijuana Health Grant Program;
- requires the Marijuana Enforcement Division in the Department of Revenue to promulgate rules for pesticide manufacturers to conduct research on marijuana;
- allows the tracking of medical or retail marijuana by the Marijuana Enforcement Division to end when the marijuana is transferred to a medical research facility or a pesticide manufacturer for research purposes; and
- prohibits a state or local government agency from using the results of any test of marijuana or marijuana-infused products conducted by an analytical laboratory without a specific certification.

Background

Grant program. The Medical Marijuana Health Grant Program in the Department of Public Health and Environment, created under Senate bill 14-155, expires June 30, 2019. A total of \$10 million was authorized for grants and administration from the Medical Marijuana Program Cash Fund. Nine studies have been funded and are currently active.

State Revenue

This bill will increase state cash fund revenue by \$62,210 in FY 2017-18 and \$9,505 in FY 2018-19 to the Marijuana Cash Fund in the Department of Revenue.

Fee impact on 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 to cover the expenditures in the Department of Revenue identified in this fiscal note. If the expenditures are divided equally among all 1,439 medical and retail marijuana cultivator licensees, the increase will be \$43 per licensee in FY 2017-18 and \$7.00 in FY 2018-19. Actual fee calculations will be set administratively by the Department of Revenue based on cash fund balance, overall program costs, and the 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 will increase expenditures for the Marijuana Enforcement Division in the Department of Revenue by \$62,210 and 0.1 FTE in FY 2017-18 and \$9,505 in FY 2018-19, paid from the Marijuana Cash Fund.

Table 1. Expenditures Under SB17-275		
Cost Components	FY 2017-18	FY 2018-19
Computer programming	\$43,200	
Legal Services	19,010	9,505
FTE - Department of Law	0.1 FTE	
TOTAL	\$62,210	\$9,505

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

Marijuana Enforcement Division, Department of Revenue. The division will develop rules to authorize pesticide manufacturers to conduct research and establish safe and effective protocols for the use of pesticides on medical and retail marijuana. Because this is outside the

allotted legal support for rulemaking and general counsel for the division, it will require an additional 200 hours of legal services from the Department of Law in FY 2017-18 and 100 hours in FY 2018-19. At a rate of \$95.05 per hour, the costs for legal services will be \$19,010 in FY 2017-18 and \$9,505 in FY 2018-19. For FY 2017-18, the Department of Law requires an allocation of 0.1 FTE.

Computer programming. To add the functionality to allow a transfer of marijuana to research facilities and pesticide manufacturers, and to track pesticide testing results, the DOR will update its marijuana tracking system, METRC, at a cost of up to \$43,200, paid to a vendor.

Grant funding. Based on Joint Budget Committee staff analysis, the MTCF has no funds available for appropriation in FY 2017-18 for grant funding under this bill. Depending on when the assessment of available funds is made for FY 2018-19, there may be funds available for appropriation in FY 2018-19. The Department of Public Health and Environment currently has grant program staff through June 30, 2019, who can administer new grants if funds become available. The department can request an extension of the program staff beyond FY 2018-19 through the annual budget process if necessary to support the new grants authorized by the bill.

Institutions of higher education. State institutions of higher education are eligible to apply for grants to conduct medical research on marijuana when funding becomes available.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2017-18, the Department of Revenue requires an appropriation of \$62,210 from the Marijuana Cash Fund. Of this amount, the Department of Law requires \$9,505 in reappropriated funds and an allocation of 0.1 FTE.

Departmental Difference

The Department of Revenue estimates the cost of the bill to be \$104,023 and 0.5 FTE in FY 2017-18, and \$46,571 and 0.5 FTE in FY 2018-19. The Marijuana Enforcement Division identified the need for additional staffing to conduct compliance enforcement activities. The fiscal note assumes that the division does not need additional staffing to implement the bill.

State and Local Government Contacts

Agriculture
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