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**FINAL
FISCAL NOTE**

Drafting Number: LLS 18-0340
Prime Sponsors: Rep. Lebsack
Sen. Marble

Date: July 19, 2018
Bill Status: Postponed Indefinitely
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Bill Topic: MARIJUANA PROCESSOR REGISTRATION

- Summary of Fiscal Impact:**
- State Revenue
 - State Expenditure (*minimal*)
 - State Transfer
 - TABOR Refund
 - Local Government
 - Statutory Public Entity

This bill would have established a registration for fibrous marijuana waste recycling with the Marijuana Enforcement Division in the Department of Revenue. Beginning in FY 2018-19, it would have increased state revenue and workload on an ongoing basis. A similar bill to this was later enacted, Senate Bill 18-187.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the introduced bill. This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

**Table 1
State Fiscal Impacts Under HB 18-1133**

| | | FY 2018-19 | FY 2019-20 |
|---------------------|--------------|-------------------|-------------------|
| Revenue | Cash Funds | at least \$5,000 | at least \$5,000 |
| Expenditures | | - | - |
| Transfers | | - | - |
| TABOR Refund | General Fund | at least \$5,000 | at least \$5,000 |

Summary of Legislation

The bill creates a registration for a fibrous waste recycling facility in the medical and retail marijuana codes. These facilities may receive fibrous waste (e.g., roots, stalks, and stems) from licensed marijuana establishments in order to recycle them into industrial fiber products (e.g., cordage, paper, and textiles).

The Marijuana Enforcement Division (MED) in the Department of Revenue must begin accepting applications for registration no later than January 1, 2019, and take action on all applications within 60 days from receipt. Applicants must demonstrate that their process renders fibrous waste unusable and unrecognizable as marijuana and only useful for industrial fiber products. The MED is prohibited from limiting the materials that can be received, processed, or sold by a recycling facility, except fibrous waste may only be used in the production of fibrous products. Finally, the transfer of fibrous waste from a medical or retail licensee must be tracked in the state's inventory tracking system.

State Revenue

Beginning in FY 2018-19, state cash fund revenue will increase by at least \$5,000 to the Marijuana Cash Fund. This impact will continue in future years, and depend on the number of new and renewing registrations.

Fee impact on registrants. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. The fiscal notes assumes that there will be three initial registrations in 2019, at a fee of \$1,700 per registration, which represents the low range of the current marijuana fee schedule. This fee amount is an estimate only, actual fees will be set administratively by the Department of Revenue based on cash fund balance, estimated program costs, and the estimated number of registrations and renewals subject to the fee.

TABOR Refund

The bill increases state revenue from fees, which will increase the amount of money required to be refunded under TABOR for FY 2018-19 and FY 2019-20. 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

Beginning in FY 2018-19, the MED will have an increase in workload to create new forms and processes for registration and renewal; promulgate rules with legal support from the Department of Law; and to program the MyLO and METRIC computer systems to add the new registration type. Because the fiscal note estimates a small population of applicants, this impact can be accomplished within existing appropriations.

Effective Date

The bill was postponed indefinitely by the House Agriculture, Livestock, and Natural Resources committee on February 23, 2018.

State and Local Government Contacts

Agriculture Law Revenue