



**Colorado  
Legislative  
Council  
Staff**

**HB16-1211**

**FISCAL NOTE**

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

**Drafting Number:** LLS 16-0876  
**Prime Sponsor(s):** Rep. Melton

**Date:** February 24, 2016  
**Bill Status:** House Business Affairs and Labor  
**Fiscal Analyst:** Clare Pramuk (303-866-2677)

**BILL TOPIC:** MARIJUANA TRANSPORTER LICENSE

<b>Fiscal Impact Summary</b>	<b>FY 2016-2017</b>	<b>FY 2017-2018</b>
<b>State Revenue</b>	<b><u>\$262,000</u></b>	<b><u>\$74,400</u></b>
Cash Funds	262,000	74,400
<b>State Expenditures</b>	<b><u>\$126,853</u></b>	<b><u>\$144,292</u></b>
Cash Funds	99,341	109,544
Centrally Appropriated Costs	27,512	34,748
<b>TABOR Impact</b>	\$262,000	\$74,400
<b>FTE Position Change</b>	1.6 FTE	2.1 FTE
<b>Appropriation Required:</b> \$99,341 - Department of Revenue (FY 2016-17).		
<b>Future Year Impacts:</b> Ongoing state revenue and expenditure increase.		

**Summary of Legislation**

This bill creates state medical and retail marijuana transporter (marijuana transporter) licenses to be issued by the Marijuana Enforcement Division (MED) in the Department of Revenue (DOR), and allows for the issuance of a local medical marijuana transporter license. A marijuana transporter provides logistics, distribution, and storage of medical and retail marijuana and marijuana-infused products. All marijuana transporters must be licensed on and after January 1, 2018, with the exception of a marijuana transporter for a medical marijuana business or retail marijuana establishment that provides its own distribution.

State marijuana transporter licenses are valid for five years and cannot be transferred with a change of ownership. Marijuana transporters may operate a licensed off premises storage facility that meets the same security requirements as a medical marijuana optional premise cultivation license or a retail marijuana cultivation license.

Marijuana transporters are required to use the MED seed-to-sale tracking system to create shipping manifests documenting the transport of medical and retail marijuana and marijuana-infused products throughout the state. A marijuana transporter is responsible for all medical and retail marijuana and marijuana-infused products once it takes control of the product.

Marijuana transporters may contract with multiple medical and retail marijuana licensees. When submitting an application for licensure, the marijuana transporter must include copies of all such contracts and must keep these up-to-date with the MED. Marijuana transporters may also:

- maintain and operate one or more warehouses;
- take and fulfill orders; and
- package medical and retail marijuana.

Finally, a medical marijuana business or retail marijuana establishment must give proper notice and time to cure a contract noncompliance issue before it can terminate a contract with a licensed marijuana transporter.

## Background

The MED currently has 12 couriers registered as vendors that provide delivery services for the medical and retail marijuana industry. Couriers must have a manifest created by a licensed medical marijuana business or retail marijuana establishment in order to lawfully transport marijuana. To be an MED registered vendor, applicants:

- must be at least 21;
- may not have any controlled substance felony convictions or any other felony convictions that have not been fully discharged five years prior to applying;
- may not have any delinquent government or child support debt;
- must be a Colorado resident at the time of application; and
- pay a fee.

## State Revenue

**This bill will increase state cash fund revenue by \$262,000 in FY 2016-17 and \$74,400 in FY 2017-18 to the Marijuana Cash Fund in the DOR.**

**Assumptions.** The fiscal note assumes that 20 individuals will apply for transporter licenses in FY 2016-17 and 4 individuals in FY 2017-18. Half of these individuals will also apply for off premises storage permits, which will be renewed annually.

**Fee impact on individuals and business.** State law requires legislative service agency review of measures which create or increase any fee collected by a state agency. Table 1 below identifies an estimate of the fee impact of this bill. The actual marijuana transporter license fees will be set by the MED. Because regulatory costs will continue over the five years a marijuana transporter license is in force, the fee must offset five years of costs. Cultivation facility and product manufacturer licenses, similar annual license types, have a fee of \$2,200 per year. Therefore the fiscal note assumes a 5-year license fee of \$11,000 for a marijuana transporter license, plus a one-time \$1,000 application fee. The existing off premises storage permit fee is \$2,200.

<b>Table 1. Fee Impact on Individuals and Business Under HB16-1211</b>					
		<b>FY 2016-17</b>		<b>FY 2017-18</b>	
<b>Type of Fee</b>	<b>Fee</b>	<b>Number</b>	<b>Fee Impact</b>	<b>Number</b>	<b>Fee Impact</b>
Transporter Application Fee	\$1,000	20	\$20,000	4	\$4,000
Transporter License Fee (5-year)	11,000	20	220,000	4	44,000
Off Premises Storage Permit	2,200	10	22,000	12	26,400
<b>TOTAL</b>			<b>\$262,000</b>		<b>\$74,400</b>

**TABOR Impact**

This bill increases state cash fund revenue from fees, 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 increases state cash fund expenditures by \$126,853 and 1.6 FTE in FY 2016-17 and \$144,292 and 2.1 FTE in FY 2017-18.**

<b>Table 2. Expenditures Under HB16-1211</b>		
<b>Cost Components</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>
Personal Services	\$70,914	\$88,642
FTE	1.6 FTE	2.1 FTE
Operating Expenses and Capital Outlay Costs	10,926	1,900
Legal Services	9,501	19,002
Computer Programming and Testing	8,000	0
Centrally Appropriated Costs*	27,512	34,748
<b>TOTAL</b>	<b>\$126,853</b>	<b>\$144,292</b>

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

**Assumptions.** The fiscal note assumes that transporter license applications will be accepted beginning January 1, 2017.

**Personal services, operating expenses and capital outlay costs.** The MED will add 2.0 FTE to administer the marijuana transporter licensing program. These costs are prorated for FY 2016-17 to account for the bill's effective date. Staff will develop the license requirements and train for a January 1, 2017, program start. Operating and capital outlay costs include desks, computers, telephones, and supplies. Beginning January 1, 2017, staff will:

- input application information into the licensing software;
- respond to licensing queries;
- assist Background Investigation Unit staff investigate license applicants; and
- monitor compliance with license requirements.

**Legal services.** The MED requires an increase in legal services from the Department of Law of 100 hours in FY 2016-17 and 200 hours in FY 2017-18, at a rate of \$95.01 per hour. This number of hours in FY 2017-18 requires an allocation of 0.1 FTE to the Department of Law, which is included in Table 2. The Department of Law will provide support for rulemaking, implementation, issues related to transporter contracts with businesses, as well as licensure issues.

**Computer programming.** This bill requires changes to the Department of Revenue'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 cash fund expenditures by \$8,000, based on 40 hours of programming.

**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.

<b>Cost Components</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$12,804	\$16,005
Supplemental Employee Retirement Payments	6,068	7,943
Leased Space	8,640	10,800
<b>TOTAL</b>	<b>\$27,512</b>	<b>\$34,748</b>

## Local Government Impact

To the extent that a local medical marijuana licensing authority chooses to issue a medical marijuana transporter license, that authority will have an increase in revenue and expenditures. The fiscal note assumes that any local authority issuing such a license will set its fee to cover the costs of administering the new license type.

## Effective Date

The bill takes effect August 10, 2016, if the General Assembly adjourns on May 11, 2016, as scheduled, and no referendum petition is filed.

## State Appropriations

For FY 2016-17, the Department of Revenue requires an appropriation of \$99,341 from the Marijuana Cash Fund and an allocation of 1.6 FTE. The Department of Law requires \$9,501 in reappropriated funds.

## State and Local Government Contacts

Information Technology

Law

Revenue