



**Colorado
Legislative
Council
Staff**

HB16-1211
**REVISED
FISCAL NOTE**
(replaces fiscal note dated March 3, 2016)

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

Drafting Number: LLS 16-0876 **Date:** April 27, 2016
Prime Sponsor(s): Rep. Melton **Bill Status:** Senate Finance
 Sen. Baumgardner; Jahn **Fiscal Analyst:** Clare Pramuk (303-866-2677)

BILL TOPIC: MARIJUANA TRANSPORTER LICENSE

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue	<u>\$156,000</u>	<u>\$39,400</u>
Cash Funds	156,000	39,400
State Expenditures	<u>\$95,572</u>	<u>\$106,982</u>
Cash Funds	76,284	83,849
Centrally Appropriated Costs	19,288	23,133
TABOR Impact		\$43,800
FTE Position Change	1.1 FTE	1.4 FTE
Appropriation Required: \$76,284 - Department of Revenue (FY 2016-17).		
Future Year Impacts: Ongoing state revenue and expenditure increase.		

Summary of Legislation

As amended by the Senate Transportation Committee, 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, but is not authorized to sell marijuana under any circumstances. All marijuana transporters must be licensed by July 1, 2017, with the exception of a marijuana transporter for a medical marijuana business or retail marijuana establishment that provides its own distribution. The MED must begin accepting applications after January 1, 2017.

State marijuana transporter licenses are valid for two 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 as long as it is located in a jurisdiction that allows its operation.

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.

If House Bill 16-1261 becomes law, this bill repeals the retail marijuana transport license provisions in HB 16-1261.

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 \$156,000 in FY 2016-17 and \$39,400 in FY 2017-18 to the Marijuana Cash Fund in the DOR.

Assumptions. There are approximately 2,600 licensees for medical marijuana businesses and retail marijuana establishments combined. The fiscal note assumes a ratio of 1:100 for transporters to licensees for a total of 26 licensed transporters by the end of FY 2017-18. This assumes that 24 individuals will apply for transporter licenses in FY 2016-17 and 2 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 marijuana transporters. 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 two years a marijuana transporter license is in force, the fee must offset two 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 2-year license fee of \$4,400 for a marijuana transporter license, plus a one-time \$1,000 application fee. The existing off premises storage permit fee is \$2,200.

Table 1. Fee Impact on Marijuana Transporters Under HB16-1211					
Type of Fee	Fee	FY 2016-17		FY 2017-18	
		Number	Fee Impact	Number	Fee Impact
Transporter Application Fee	\$1,000	24	\$24,000	2	\$2,000
Transporter License Fee (3-year)	4,400	24	105,600	2	8,800
Off Premises Storage Permit	2,200	12	26,400	13	28,600
TOTAL			\$156,000		\$39,400

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 \$95,572 and 1.1 FTE in FY 2016-17 and \$106,982 and 1.3 FTE in FY 2017-18.

Table 2. Expenditures Under HB16-1211		
Cost Components	FY 2016-17	FY 2017-18
Personal Services	\$53,035	\$63,612
FTE	1.1 FTE	1.4 FTE**
Operating Expenses and Capital Outlay Costs	5,748	1,235
Legal Services	9,501	19,002
Computer Programming and Testing	8,000	0
Centrally Appropriated Costs*	19,288	23,133
TOTAL	\$95,572	\$106,982

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

** Includes 0.1 FTE for Department of Law.

Personal services, operating expenses and capital outlay costs. The MED requires 1.1 FTE in FY 2016-17 and 1.3 FTE in FY 2017-18 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 the 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.

Cost Components	FY 2016-17	FY 2017-18
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$8,810	\$10,413
Supplemental Employee Retirement Payments	4,538	5,700
Leased Space	5,940	7,020
TOTAL	\$19,288	\$23,133

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 bill requires and includes an appropriation of \$76,284 to the Department of Revenue from the Marijuana Cash Fund and an allocation of 1.1 FTE. Of this, the Department of Law is provided \$9,501 in reappropriated funds.

State and Local Government Contacts

Law Revenue