



Legislative  
Council Staff

*Nonpartisan Services for Colorado's Legislature*

**REVISED  
FISCAL NOTE**

(replaces fiscal note dated March 19, 2018)

**Drafting Number:** LLS 18-0080      **Date:** April 3, 2018  
**Prime Sponsors:** Rep. Singer; Melton      **Bill Status:** House Appropriations  
 Sen. Neville T.; Fenberg      **Fiscal Analyst:** Erin Reynolds | 303-866-4146  
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**Bill Topic:** MARIJUANA ACCESSORY CONSUMPTION ESTABLISHMENTS

**Summary of Fiscal Impact:**

<input checked="" type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

Conditional upon local approval, the bill allows the operation of marijuana accessory consumption establishments where retail marijuana customers may consume, without smoking, one serving of marijuana. It will increase state and local government revenue and expenditures on an ongoing basis.

**Appropriation Summary:** The bill requires an appropriation of \$99,637 to the Department of Revenue in FY 2018-19.

**Fiscal Note Status:** The revised fiscal note reflects the introduced bill, as amended by the House Finance Committee.

**Table 1  
State Fiscal Impacts Under HB 18-1258**

		<b>FY 2018-19</b>	<b>FY 2019-20</b>
<b>Revenue</b>	Cash Funds	\$75,000	\$100,000
<b>Expenditures</b>	Cash Funds	\$99,637 0.2 FTE	\$24,386 0.1 FTE
<b>Transfers</b>		-	-
<b>TABOR Refund</b>	General Fund	\$75,000	\$100,000

**Summary of Legislation**

As of January 1, 2019, this bill allows a retail marijuana store licensee to add an endorsement to its license to establish one accessory consumption establishment. The new endorsement is only available in jurisdictions that approve, through initiative or ordinance, of such establishments. Customers 21 years and older may be served and partake up to 3.5 grams of flower, 1 gram of concentrate, or 10 milligrams of infused product. The facility can be adjacent to a center or store, but must have a separate entrance. A facility that is in a separate location must be located in the same local jurisdiction. Marijuana products must be packaged and labeled individually. Employees must be trained in intoxication assessment.

**Data and Assumptions**

There are currently 509 retail marijuana stores operating in Colorado. The fiscal note assumes that local jurisdictions will need time to adopt ordinances or approve ballot measures related to this license type. Therefore, FY 2019-20 will be the bill's first full implementation year. In this year, it is assumed that one percent of existing retail marijuana stores will apply for a marijuana accessory consumption establishment endorsement. Licensing will begin January 1, 2019. Because stores seeking the endorsement hold existing licenses, applicants will not be required to submit to a fingerprint-based criminal background check or due diligence investigations.

**State Revenue**

This bill is expected to increase state cash fund revenue by \$75,000 in FY 2018-19 and \$100,000 in FY 2019-20 to the Marijuana Cash Fund in the Department of Revenue.

**Fee impact related to marijuana consumption establishment endorsements.** Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. These fee amounts are estimates only, actual fee calculations will be set administratively by the Marijuana Enforcement Division in the Department of Revenue based on cash fund balance, estimated program costs, and the estimated number of applications and licenses subject to the fee. Table 2 below identifies the fee impact of this bill.

**Table 2**  
**Fee Impact Related to Marijuana Consumption Establishment Endorsements**

<b>Fiscal Year</b>	<b>Type of Fee</b>	<b>Estimated Fee</b>	<b>Number Affected</b>	<b>Total Fee Impact</b>
<b>FY 2018-19</b>	Application Fee	\$10,000	5	\$50,000
	Marijuana Consumption Endorsement	\$5,000	5	\$25,000
<b>FY 2018-19 Total</b>				<b>\$75,000</b>
<b>FY 2019-20</b>	Application Fee	\$10,000	5	\$50,000
	Marijuana Consumption Endorsement	\$5,000	5	\$25,000
	Endorsement Renewals	\$5,000	5	\$25,000
<b>FY 2019-20 Total</b>				<b>\$100,000</b>

**TABOR Refund**

This 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 revenue subject to TABOR is not estimated for years beyond FY 2019-20.

**State Expenditures**

This bill increases state cash fund expenditures by \$99,637 and 0.2 FTE in FY 2018-19, and \$24,386 and 0.1 FTE in FY 2019-20 and each year thereafter from the Marijuana Cash Fund in the Department of Revenue. These costs are shown in Table 3 and explained below.

**Table 3  
Expenditures Under HB 18-1258**

	<b>FY 2018-19</b>	<b>FY 2019-20</b>
<b>Department of Revenue</b>		
Legal Services	\$39,960	\$23,976
Computer Programming and Licenses	\$59,677	\$410
FTE – Legal Services	0.2 FTE	0.1 FTE
<b>Total Cost</b>	<b>\$99,637</b>	<b>\$24,386</b>
<b>Total FTE</b>	<b>0.2 FTE</b>	<b>0.1 FTE</b>

**Legal services.** The MED is expected to require 375 hours of legal services in FY 2018-19 and 225 hours in FY 2019-20 at a rate of \$106.56 per hour. This volume of work requires an allocation of 0.2 FTE in FY 2018-19 and 0.1 FTE in FY 2019-20 to the Department of Law. In FY 2018-19, the department will provide general counsel and rulemaking support. In FY 2019-20, the department will provide general counsel, regulatory representation in hearings, and counsel in licensing disputes.

**Computer programming.** The DOR will incur one-time programming costs of \$59,677 in FY 2018-19, which includes updates to GenTax at \$12,000; updates to MyLO at \$4,067; and updates to METRC at \$43,200. Ongoing software licensing costs will be \$410 beginning FY 2018-19.

**Judicial Department.** Current law provides for judicial review of decisions by both state and local licensing authorities regarding marijuana licenses. Under the bill, courts would have judicial review of decisions related to the new endorsement. No change in appropriations is required.

**Local Government**

Local governments that approve marijuana consumption establishments will experience increases in hearings and enforcement workload and potential increases in licensing and sales tax revenue. Local governments have discretion in allowing the licensing of marijuana consumption establishments within their jurisdictions.

## Effective Date

The bill takes effect August 8, 2018, if the General Assembly adjourns on May 9, 2018, as scheduled, and no referendum petition is filed.

## State Appropriations

In FY 2018-19, the bill requires an appropriation of \$99,637 from the Marijuana Cash Fund to the Department of Revenue. Of this amount, \$39,960 is reappropriated to the Department of Law with an allocation of 0.2 FTE.

## State and Local Government Contacts

Counties  
Information Technology  
Local Affairs  
Public Safety

District Attorneys  
Judicial  
Municipalities  
Revenue

Governor  
Law  
Public Health and Environment  
Sheriffs