



Legislative Council Staff

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FISCAL NOTE

Drafting Number: LLS 18-0607 Date: April 16, 2018
Prime Sponsors: Rep. Gray; Van Winkle Bill Status: House Finance
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Bill Topic: PERMISSIVE MEDICAL MARIJUANA VERTICAL INTEGRATION

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

Medical marijuana establishments are currently required to purchase a large percentage of product from an associated cultivator. This bill permits a medical marijuana establishment to purchase from any cultivator after a transition period. The bill will have an initial state workload impact and future potential state revenue and expenditure increases and decreases.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Summary of Legislation

Under current law, a medical marijuana center must source 70 percent of the medical marijuana it sells from its associated optional premises cultivation facility. Similarly, an optional premises cultivation facility must have 70 percent of the medical marijuana it cultivates sold through its associated medical marijuana center. This bill eliminates this requirement and allows medical marijuana centers to source medical marijuana from any optional premises cultivation facility after a one-year transition period. In the first year of the transition period, FY 2018-19, the sourcing requirement is reduced to 50 percent. Beginning July 1, 2019, there is no sourcing requirement for medical marijuana businesses, and medical marijuana centers are permitted to sell medical marijuana acquired from any optional premises cultivation facility licensee or medical marijuana-infused products manufacturer licensee.

Under the bill, the possession limit for an optional premises cultivation facility is no longer tied to the number of patients registered at the associated medical marijuana center; however, patients are still required to register with a center. A medical marijuana center can sell more than two ounces to a patient if that patient has a recommended extended ounce count from his or her physician and registers with the medical marijuana center as his or her primary center. The patient must also sign an affidavit that he or she does not have a primary caregiver cultivating medical marijuana on his or her behalf.

Finally, the bill requires the Marijuana Enforcement Division (MED) in the Department of Revenue (DOR) to adopt a production management system similar to the system in the retail marijuana code.

Background

There are currently 500 medical marijuana centers and 739 medical cultivators licensed and regulated by the DOR. The Colorado Department of Public Health and Environment (CDPHE) administers the medical marijuana registry.

State Revenue, TABOR Refund, and State Expenditures

The bill will have varying impacts on DOR and minimally increase workload in CDPHE, as discussed below.

Department of Revenue. In FY 2018-19, workload will increase in DOR to adopt, through rule, a production management system similar to the system in the retail marijuana code for medical marijuana entities. Beginning in FY 2019-20, the bill's loosening of source restrictions has the potential to attract new medical marijuana licensees, which would increase licensing revenue subject to TABOR revenue limits as well as enforcement costs. No change in appropriations is required for these impacts. Over time, the MED's workload and costs to oversee the current sourcing requirements will be reduced and affect the potential increases above. If future adjustments in appropriations are required, they be addressed during the annual budget process.

Department of Public Health and Environment. CDPHE will have a minimal workload impact to implement the changes to the medical marijuana registration system. No change in appropriations is required.

Effective Date

The bill takes effect July 1, 2019, except for the section which involves the one-year transition period requiring 50 percent of medical marijuana to be sourced from an associated cultivation facility, which takes effect July 1, 2018.

State and Local Government Contacts

Counties	Information Technology	Law
Municipalities	Revenue	