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FISCAL NOTE

Drafting Number: LLS 20-1320 Date: June 9, 2020
Prime Sponsors: Rep. Coleman; Soper Bill Status: House Finance
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Bill Topic: SOCIAL EQUITY LICENSEES IN REGULATED MARIJUANA

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

The bill defines social equity licensees, and modifies and expands the marijuana accelerator program to make it available for social equity licensees and retail marijuana stores. The bill increases state revenue and workload on an ongoing basis.

Appropriation Summary: No appropriation is required.

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

Summary of Legislation

The marijuana accelerator program was established in Senate Bill 19-224 and must be available by July 1, 2020. The program allows accelerator licensees to operate on the premises of licensed retail marijuana cultivation or marijuana product manufacturing facilities that hold an accelerator endorsement. The host facilities may provide technical, compliance, and capital assistance to the accelerator licensee. The bill delays implementation of the program until January 1, 2021, and makes several modifications.

Under current law, an accelerator license may be issued to a person who has resided in an area designated as an opportunity zone by the Office of Economic Development and International Trade (OEDIT) for at least 5 of the last 10 years and who has not been a beneficial owner of marijuana business. The bill removes the term accelerator licensee and instead makes social equity licensees eligible for an accelerator license. A social equity licensee is a Colorado resident; has not been the owner of a revoked marijuana license; and has demonstrated at least one of the following:

- resided for at least 15 years between 1980 and 2010 in an area designated as an opportunity zone, or as a disproportionate impacted area as defined in rule by the Marijuana Enforcement Division;
the applicant or the applicant's immediate family was arrested for or convicted of a marijuana offense or was subject to civil asset forfeiture related to a marijuana investigation; or

- the applicant's household income in the previous year did not exceed an amount determined by the Department of Revenue (DOR).

Social equity licensees may hold a regulated marijuana business license and are eligible for incentives from OEDIT and the DOR, including a reduction in fees. The bill also expands the accelerator program to include retail marijuana stores. The DOR may promulgate rules related to the new definition and changes to the program.

State Revenue

Beginning in FY 2020-21, the bill increases state cash fund revenue to the Marijuana Cash Fund in the DOR. Expanding the program and modifying eligibility will increase applications for accelerator licenses and endorsements, and thus, will increase fee revenue. However, because the program is not yet available, it is not known how much revenue would have been generated by the program under current law, and some of the revenue increase may be offset by reduced fees to incentivize participation. As a result, the increase in fee revenue has not been estimated. For informational purposes, the current fee is \$7,000 for a new retail marijuana store license and \$6,500 for a new retail marijuana cultivation or manufacturer facility license. Fee revenue is subject to TABOR.

State Expenditures

Beginning in FY 2020-21, the bill increases workload and costs for the Marijuana Enforcement Division in the DOR. Because the accelerator program is currently in the process of being implemented, workload will shift to account for the new definition of social equity licensees and the ability of retail stores to participate, including conducting rulemaking, modifying forms, and handling new applications. The fiscal note assumes that the process for participation in the modified accelerator program will be structured around current license types and application processes; as a result, no change in appropriations is required.

TABOR refunds. Under the May 2020 LCS Economic and Revenue Forecast, the state is not expected to collect revenue above the TABOR limit in either FY 2020-21 or FY 2021-22, and refund obligations are not anticipated for these years. This bill does not change these expectations concerning refunds to taxpayers.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

Economic Development

Law

Revenue