



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado’s Legislature

SB 25-076: INTOXICATING SUBSTANCES & SOCIAL EQUITY BUSINESS

Prime Sponsors:

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Summary Information

Overview. The bill places additional requirements and restrictions on marijuana and natural medicine sales and expands the social equity license program.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Revenue
- State Expenditures
- State Transfers
- TABOR Refunds
- Local Government

Appropriations. For FY 2025-26, the bill requires an appropriation of \$261,546 to multiple state agencies, including an appropriated transfer. The Entrepreneur Cash Fund is continuously appropriated to the Office of Economic Development.

**Table 1
State Fiscal Impacts**

Type of Impact	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	-\$13.9 million	-\$15.8 million
State Expenditures	\$334,788	\$358,933
Transferred Funds	\$9.5 million	\$10.7 million
Change in TABOR Refunds	\$279,491	\$289,813
Change in State FTE	2.5 FTE	3.0 FTE

¹ Fund sources for these impacts are shown in the tables below

**Table 1A
State Revenue**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	-\$11.3 million	-\$12.8 million
Cash Funds – Tax Revenue	-\$2.9 million	-\$3.3 million
Cash Funds – Natural Medicine Fee Revenue	-\$55,297	-\$69,121
Cash Funds – Marijuana Fee Revenue	\$334,788	\$358,934
Total Revenue	-\$13.9 million	-\$15.8 million

**Table 1B
State Expenditures**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	\$0	\$0
Cash Funds	\$282,806	\$296,431
Federal Funds	\$0	\$0
Centrally Appropriated	\$51,982	\$62,502
Total Expenditures	\$334,788	\$358,933
Total FTE	2.5 FTE	3.0 FTE

**Table 1C
State Transfers**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	\$9.5 million	\$10.7 million
Cash Funds ¹	-\$9.5 million	-\$10.7 million
Net Transfer	\$0	\$0

¹ Cash funds include the Marijuana Tax Cash Fund, State Public School Fund, Retail Marijuana Excise Tax Fund, Public School Capital Construction Assistance Fund, and Marijuana Entrepreneur Fund. See State Transfers section.

Summary of Legislation

General Provisions

The bill requires the Marijuana Enforcement Division (MED) and the Natural Medicine Division (NMD) within the Department of Revenue (DOR), as well as the Department of Public Health and Environment (CDPHE), to prioritize public health over private interests when regulating marijuana and/or natural medicines. Additionally, DOR must develop measures that prevent employees of the MED and NMD from being influenced by marijuana and natural medicine license holders.

Current law permits MED to seek the assistance from the CDPHE when adopting certain rules. The bill would require MED to also seek this assistance.

Labeling and Potency Requirements

The bill creates a new labeling requirements for regulated marijuana and regulated marijuana products, including a color labeling system based on the product's THC potency, and requirements for listing product potency, serving size, and consumption directions on product labels. A guide to the color labeling system must be posted by vendors at points of sale.

Current law restricts the serving size for edible marijuana products to 10 milligrams of THC. The bill applies this to inhaled marijuana products, and clarifies how total THC is calculated. The bill also restricts the weight of any package of inhaled marijuana product to a maximum weight of 500 milligrams, excluding packaging.

The bill requires that NMD adopt rules for labeling requirements for natural medicine products and data reporting standards about adverse medical or behavioral reactions to natural medicine products.

Age Restrictions

The bill prohibits a retail marijuana store, transporter, hospitality business, or sales business from selling retail marijuana with a THC potency greater than 10 percent or inhaled retail marijuana that contains an added flavor ingredient to someone who is 25 years old or younger.

Prohibited Natural Medicine Products

The bill prohibits natural medicine licensees from making products that:

- are a candy product, gummy, chocolate or other confection;
- contain a concentrated form of a natural medicine product;
- are consumed by or administered by a means other than oral ingestion; or,
- contain an added flavor or sweetener.

Social Equity Licenses

Under current law, certain Colorado residents can qualify for a social equity marijuana license if they meet certain criteria. These social equity licensees are eligible for loans, grants, and technical support through the Marijuana Entrepreneur Fund administered by the Office of Economic Development and International Trade (OEDIT). The bill expands the existing social equity program in OEDIT to apply to any individual who meets certain income and residential criteria.

The bill also renames the Marijuana Entrepreneur Fund as the Entrepreneur Fund.

Assumptions

The fiscal note estimates that approximately 15.6 percent of retail marijuana is sold to individuals age 21 to 25, and that over 95 percent of marijuana products currently sold have a potency that exceeds 10 percent. The fiscal note assumes that restricting the products that can be sold to individuals under 25 to low potency products will reduce marijuana consumption in this age group by 40 percent. This translates in a 6.2 percent reduction in overall marijuana consumption.

State Revenue

The bill reduces state revenue by \$13.9 million in FY 2025-26, \$15.8 million in FY 2026-27, and similar amounts in future years. As shown in Table 2, the bill impacts revenue from the 15 percent special sales tax on marijuana, 15 percent excise tax on marijuana, and licensing fees for natural medicine and marijuana licensees. Revenue impacts the General Fund and multiple cash funds.

Table 2
State Revenue

Revenue Source	FY 2025-26	FY 2026-27
Marijuana Special Sales Tax	-\$11.3 million	-\$12.8 million
Marijuana Excise Tax	-\$2.9 million	-\$3.3 million
Natural Medicine Fee Revenue	-\$55,297	-\$69,121
Marijuana Fee Revenue	\$228,641	\$234,587
Total	-\$13.9 million	-\$15.8 million

Marijuana Special Sales Tax Revenue

By restricting the marijuana products that can be sold to individuals under 25 to low potency products, the bill reduces revenue from the 15 percent special sales tax on marijuana by \$11.3 million in FY 2025-26, \$12.8 million in FY 2026-27, and similar amounts in future years. Special sales tax revenue is initially credited to the General Fund. After being deposited in the General Fund, 71.85 percent of the revenue is transferred to the Marijuana Tax Cash Fund (MTCF), 12.59 percent is transferred to the State Public School Fund, and the remaining 15.56 percent remains in the General Fund.

Marijuana Excise Tax Revenue

By restricting the marijuana products that can be sold to individuals under 25 to low potency products, the bill reduces revenue from the 15 percent excise tax on marijuana by \$2.9 million in FY 2025-26, \$3.3 million in FY 2026-27, and similar amounts in future years. Excise tax revenue is initially credited to the Retail Marijuana Excise Tax Cash Fund and is then transferred to be used for the Building Excellent Schools Today (BEST) program.

Natural Medicine Facilitator Licenses

By reducing the number of products that a natural medicine products manufacturing licensee can produce, the bill is expected to reduce the number of licenses issued, therefore reducing license fee revenue by \$55,297 in FY 2026-27, \$69,121 in FY 2027-28, and similar amounts in future years. Natural medicine products manufacturing license fee revenue is cash fund revenue used to fund the DOR's Natural Medicine Division. License fees are subject to TABOR.

Marijuana Fee Revenue

The bill increases revenue to the Marijuana Cash Fund by an estimated \$228,641 in FY 2025-26, \$234,587 in FY 2026-27, and similar amounts in the future. The MED will raise fees for all license applications and renewals to cover the increased expenditures to implement the bill, as discussed in the State Expenditures and Technical Note sections below. License fees are subject to TABOR.

State Transfers

The bill modifies or initiates four state transfers, totaling \$9.5 million in FY 2025-26. Specifically, the bill:

- requires an appropriated transfer of \$88,677 in FY 2025-26 and ongoing from the General Fund to the Entrepreneur Fund, to cover the costs discussed below;
- reduces by \$8.1 million in FY 2025-26, \$9.2 million in FY 2026-27, and similar amounts in future years the amount of marijuana tax revenue transferred from the General Fund to the Marijuana Tax Cash Fund;

- reduces by \$1.4 million in FY 2025-26, \$1.6 million in FY 2026-27, and similar amounts in future years the amount of marijuana tax revenue transferred from the General Fund to the State Public School Fund; and
- reduces by \$2.9 million in FY 2025-26, \$3.3 million in FY 2026-27, and similar amounts in future years the amount of marijuana tax revenue transferred from the Retail Marijuana Excise Tax Cash Fund to the Public School Capital Construction Assistance Fund, which is used to administer the BEST program.

State Expenditures

On net, the bill increases state expenditures by \$335,000 in FY 2025-26, \$359,000 in FY 2026-27, and similar amounts in future years. These costs will be incurred in the Department of Revenue and the Governor’s Office of Economic Development and International Trade as shown in Table 3 and described in the sections below. DOR costs impact the Marijuana Cash Fund and the Natural Medicine Division Cash Fund, and OEDIT costs are paid from the Entrepreneur Fund.

Expenditures shown below do not include a reduction in expenditures from the Marijuana Tax Cash Fund, Public School Capital Construction Fund, and State Public School Fund a result of the reduced transfers discussed above.

Table 3
State Expenditures
All Departments

Department	Budget Year FY 2025-26	Out Year FY 2026-27
Department of Revenue	\$228,641	\$234,587
Office of Economic Development and International Trade	\$106,147	\$124,347
Total Costs	\$334,788	\$358,934

Department of Revenue

Staff

DOR requires a net increase in staff to implement the bill. This includes an increase of 2.5 FTE Compliance Investigator and 0.5 FTE Legal Assistant in the MED in FY 2025-26 and ongoing in order to conduct an estimated 425 additional investigations to ensure that persons between the ages of 21 and 25 are not able to purchase marijuana with a THC content of greater than 10 milligrams. This cost increase is paid from the Marijuana Cash Fund.

That increase will be partially offset by a reduction of 0.5 FTE Administrative Assistant and 0.5 FTE Compliance Investigator in the NMD due to an estimated decrease in the number of natural medicine applications as a result of the product limitations in the bill. This cost reduction is from the National Medicine Division Cash Fund.

Costs are prorated to assume a September 2025 start date and standard capital outlay and operating costs are included.

Undercover Operatives

DOR will employ additional undercover operatives between the ages of 21 and 25 to assist in compliance checks. These operatives are paid \$20 per hour and the fiscal note assumes a total of 1,063 hours. Costs are paid from the Marijuana Cash Fund

Other Impacts

The MED will conduct rulemaking and provide technical assistance to businesses and local licensing authorities in order to comply with the changes to labeling requirements, among the bills' other provisions. This additional workload can be accomplished within existing appropriations.

**Table 3A
State Expenditures
Department of Revenue**

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
Personal Services	\$144,013	\$170,102
Operating Expenses	\$2,176	\$2,560
Capital Outlay Costs	\$26,680	\$0
Undercover Operatives	\$21,260	\$21,260
Centrally Appropriated Costs	\$34,512	\$40,665
Total Costs	\$228,641	\$234,587
Total FTE	1.7 FTE	2.0 FTE

Office of Economic Development and International Trade

OEDIT requires 1.0 FTE Program Management to expand the existing social equity program for marijuana entrepreneurs to any qualified individual. This staff will consult with non-cannabis businesses, meet with new clients, develop promotional materials and provide technical assistance to individuals who apply for social equity designee. Costs are prorated to assume a September 2025 start date and standard operating and capital outlay costs are included. Costs are paid from the Entrepreneur Cash Fund (formerly the Marijuana Entrepreneur Cash Fund).

OEDIT uses funding in the Entrepreneur Cash Fund for loans, grants, technical assistance and other services for eligible social equity entrepreneurs. With the increase in eligible individuals, expenditures from the fund may increase. The fund is continuously appropriated to OEDIT.

**Table 3B
State Expenditures
Office of Economic Development**

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
Personal Services	\$80,983	\$101,229
Operating Expenses	\$1,024	\$1,280
Capital Outlay Costs	\$6,670	\$0
Centrally Appropriated Costs	\$17,470	\$21,838
Total Costs	\$106,147	\$124,347
Total FTE	0.8 FTE	1.0 FTE

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. These costs, which include employee insurance and supplemental employee retirement payments, are shown in the expenditure tables above.

Department of Public Health and Environment

The bill minimally increases workload for CDPHE to collaborate with MED on rulemaking. No change in appropriations is required.

Department of Education

The bill reduces the amount available to spend or save from Public School Fund and for the Building Excellent Schools Today (BEST) program due to reduced revenue from marijuana taxes. The exact reduction in expenditures in each fiscal year will depend on future decision-making by the General Assembly and the department.

Marijuana Tax Cash Fund

The bill reduces the amount available to spend or save from the MTCF due to reduced revenue from marijuana taxes. Revenue in the MTCF is appropriated to multiple state agencies. Which agencies and programs would be affected is unknown.

TABOR Refunds

The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the December 2024 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2026-27. Because TABOR refunds are paid from the General Fund, decreased General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save. Additionally, decreased Cash Fund revenue will increase the amount of General Fund available to spend or save.

Local Government

Local licensing offices for marijuana and natural medicine businesses will adjust their procedures and coordinate with the MED to implement the bill.

Technical Note

The fiscal note assumes that increased costs for the bill will be paid from the MED Cash Fund, and that the DOR will raise fees as necessary to ensure that it has sufficient funds to pay for program expenses. However, the DOR reports that current spending from the fund is projected to exceed the available fund balance. If the DOR is unable or unwilling to raise fees, General Fund may be required, either in this bill or through the annual budget process, to ensure cash fund solvency.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed, and applies to products manufactured, sold, or distributed on or after that date.

State Appropriations

For FY 2025-26, the bill requires the following appropriations:

- \$228,166 from the Marijuana Cash Fund to the Department of Revenue and 2.5 FTE;
- a decrease of \$55,297 from the Natural Medicine Division Cash Fund to the Department of Revenue, and a reduction of 0.8 FTE;
- \$88,677 from the General Fund to the Entrepreneur Fund, to be further appropriated from the fund to the Office of Economic Development and International Trade, and 0.8 FTE.

State and Local Government Contacts

Law

Office of Economic Development
and International Trade

Public Health and Environment

Revenue

Treasury