



- allows for license revocation of certain care facilities if marijuana is consumed or cultivated onsite and prohibits marijuana at community residential homes or regional centers;
- allows retail marijuana businesses to participate in a responsible vendor program;
- requires the Department of Public Safety (DPS) to study law enforcement activities related to retail marijuana;
- requires the Department of Public Health and Environment (DPHE) to implement a marijuana destruction program and monitor the health the effects of marijuana;
- makes marijuana subject to the same indoor air quality restrictions as tobacco products;
- allows retail marijuana stores to deduct certain business expenses from their state income taxes that are prohibited by federal tax law;
- requires advanced roadside impairment driving enforcement training for peace officers; and
- authorizes the Governor to designate state agencies to carry out other duties under the bill.

**State Revenue**

**This bill is expected to result in a net increase in revenue of \$803,064 in FY 2013-14 and \$103,562 in FY 2014-15.** The revenue components are explained below.

**Income taxes.** The bill allows retail marijuana businesses to deduct business expenses from their state income taxes that are prohibited under federal law with an estimated to reduction of General Fund revenue of approximately \$688,070 in FY 2013-14 and \$1,376,140 in FY 2014-15 and thereafter. Because business expense data for medical marijuana businesses are not collected from tax returns, deductible expenses of approximately 18 percent of sales for liquor stores were used as a proxy for marijuana businesses. This percentage may be lower if retail marijuana businesses provide other goods or services and minimize the percentage of their operations dedicated to the actual delivery of marijuana to the consumer.

**DPHE, Fee Impact on Individuals, Families or Business.** Section 2-2-322, C.R.S., requires legislative service agency review of measures which create or increase any fee collected by a state agency. The DPHE will collect an annual fee of \$925 from an estimated 1,600 marijuana businesses for destruction of marijuana waste, for deposit into the Solid Waste Control Fund. Table 1 below identifies the fee impact of this bill.

<b>Table 1. Fee Impact on Individuals, Families or Business</b>			
<b>Type of Fee</b>	<b>Proposed Fee</b>	<b>Number Affected</b>	<b>Total Fee Impact</b>
Marijuana destruction fee (annual)	\$925	1,600	\$1,480,000
<b>TOTAL</b>			<b>\$1,480,000</b>

**Judicial Branch.** Reducing the number of marijuana-related crimes will reduce the number of cases referred to state probation, with a corresponding reduction in probation fee revenue. This fiscal note assumes that there will be an estimated 159 fewer cases referred to state probation. The reduction in fee revenue is also dependant on the passage of SB 13-250, which relates to drug sentencing. If SB 13-250 passes, there will be \$9,866 less collected in fee revenue as a result of this bill. However, if SB 13-250 does not pass and all crimes related to the possession, processing and manufacturing, and cultivation of marijuana are repealed through this bill, then the Judicial Branch will see a reduction of \$27,046 in fee revenue. A nominal amount of revenue is expected to be generated from the nonfelony offenses created by the bill.

**Department of Human Services.** With each conviction of underage marijuana possession, the Adolescent Substance Abuse Treatment Fund received a \$25 surcharge. The fiscal note assumes assessment of the surcharge in the first 2 fiscal years at a rate of 25 percent of convictions for underage alcohol. Based on this assumption, the fund will receive an estimated \$21,000 in both FY 2013-14 and FY 2014-15.

**State Expenditures**

**This bill is expected to increase expenditures by \$3,148,525 and 9.6 FTE in FY 2013-14, and \$1,765,008 and 12.6 FTE in FY 2014-15. These expenditures are from the DPHE, DPS, Department of Revenue (DOR), Judicial Branch, and Department of Law (DOL).**

<b>Table 2. Expenditures Under SB13-283</b>		
<b>Cost Components</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>
Personal Services	\$554,926	\$663,494
FTE	9.6	12.6
Operating Expenses and Capital Outlay	690,853	717,876
Legal Services	18,216	9,108
Computer Programming	200,000	
Travel	4,530	4,530
POST Training Grants	1,680,000	370,000
<b>TOTAL</b>	<b>\$3,148,525</b>	<b>\$1,765,008</b>

**DPHE, Destruction of marijuana that cannot be legally sold.** The implementation of this section will require additional research but preliminary estimates suggest an increase in expenditures of \$1,045,648 and 4.8 FTE in FY 2013-14 and \$954,286 and 7.2 FTE in FY 2014-15 from the Solid Waste Control Fund. This estimate assumes that the DPHE will develop a disposal process, acquire a building, develop a computer tracking system, and perform the actual disposal. DOL will provide 200 hours of legal services in FY 2013-14 and 100 hours in FY 2014-15 and thereafter at a rate of \$91.08 per hour, to support the marijuana destruction program. Actual costs may vary depending on whether an alternative system for destroying marijuana is used.

***DPHE, Study of the health effects of marijuana.*** The DPHE will require additional staff to conduct research on the health impacts of marijuana use, analyze data, and communicate with stakeholders. Staff will need to have expertise in epidemiology, substance abuse, data analysis, and communications. The bill states that these duties must be accomplished within existing appropriations unless the regulatory and enforcement provisions of HB 13-1317 are fully funded. If funding is available, the study is expected to require \$307,542 and 4.0 FTE in FY 2013-14 and \$320,388 and 4.0 FTE in FY 2014-15 with the Marijuana Cash Fund as the assumed source of funding.

***DPHE, Certification of testing devices.*** The bill authorizes the DPHE to certify that devices and tests accurately detect the presence of drugs in the blood or urine of individuals. The fiscal note assumes that any additional resources required to perform work specific to marijuana and the bill will be addressed in the annual budget process.

***DPS, Scientific study of law enforcement activities related to marijuana.*** The DPS is expected to have increased expenditures of \$154,034 in FY 2013-14 and \$159,033 in FY 2014-15 in order to conduct a study of law enforcement activities related to marijuana. The scope and complexity of the study as defined by the bill suggest that a significant amount of effort will be required. Much of the information is not currently collected, or collected only at the local level. In order to gather the requisite data and analyze the data elements, the fiscal note assumes that DPS requires 2 statistical personnel. Like the health effects study, this study must be performed within existing resources unless HB 13-1317 is fully funded. The Marijuana Cash Fund is the assumed source of funding.

***DOR - Division of Taxation, State income tax exemption.*** HB13-1042, introduced this session, enables medical marijuana businesses to deduct their business expenses on the state income tax form by creating a new schedule specific to this industry and for each of four types of tax returns. The state's tax processing software will be updated to accept and process new deductions. This is expected to be completed in FY 2013-14 at a cost of \$280,000. The fiscal note assumes that the work associated with HB13-1042 meets the requirements of this bill, so unless HB 13-1042 does not pass no additional funding is required for this provision.

***DOR - MED, Responsible vendor program.*** The Marijuana Enforcement Division will review responsible vendor training applications in consultation with the DPHE and approve or disapprove training programs. Because few training program vendors have the expertise to develop a program, the fiscal note assumes that there will be very few applications and that reviews will be addressed within existing resources.

***Judicial Branch.*** Probation Services in the Judicial Branch will realize cost savings of \$38,699 annually due to a reduction in the number of marijuana-related cases. This fiscal note assumes the Judicial Branch will adjudicate an estimated 112 fewer cases related to the possession, processing and manufacturing, and cultivation of marijuana. Senate Bill 13-250, which concerns changes to sentencing of persons convicted of drug crimes, amends the same sections of current law related these crimes as this bill. However, SB 13-283 also amends current law related to the possession of drug paraphernalia, which will result in an additional estimated 58 fewer cases prosecuted. The total amount of cost savings the Judicial Branch will realize due to the reduction

in probation caseload is dependant on the passage of SB 13-250. For FY 2013-14 and beyond, this fiscal note assumes that if SB 13-250 passes, the Judicial Branch will require 0.6 fewer FTE, resulting in a cost saving of \$38,699. This is the amount included in this fiscal note. If SB 13-250 does not pass and all cost savings are realized through this bill, than the Judicial Branch will require 1.5 fewer FTE, resulting in a cost savings of \$94,143.

**Department of Law, Training.** The Colorado Peace Officer Standards and Training (POST) Board in the Attorney General's Office in the Department of Law, documents and manages the training and certification of all active peace officers and reserve peace officers working for Colorado law enforcement agencies. The initial cost to fund the mandated 16 hour Advanced Roadside Impaired Driving Enforcement (ARIDE) course to approximately 600 academy students and 16,000 POST certified peace officers is \$1,680,000. Subsequent years are expected to require \$370,000. Because this amount exceeds the current revenue for the POST Board, the fiscal note assumes the source of funding will be General Fund.

**Other State Agencies.** This bill authorizes the Governor to designate state agencies to create a list of banned substances, develop good cultivation and laboratory practices, and establish an educational oversight committee for marijuana issues. Because these agencies are not yet designated and the scope of the work identified, the fiscal note does not estimate the fiscal impact of these efforts. Should these agencies be identified while the bill is still being considered by the General Assembly, the fiscal note will be revised to address these costs.

**Expenditures Not Included**

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 summarized in Table 3.

<b>Table 3. Expenditures Not Included Under SB 13-283*</b>		
<b>Cost Components</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$48,638	\$68,694
Supplemental Employee Retirement Payments	36,341	48,654
<b>TOTAL</b>	<b>\$84,979</b>	<b>\$117,348</b>

\*More information is available at: <http://colorado.gov/fiscalnotes>

**Local Government Impact**

**Nonfelony offenses.** This bill creates a number of criminal offenses and permits local governments to enhance penalties for these offenses. Therefore, this may increase the number of individuals incarcerated in county jails. The penalty for a class 2 petty offense (e.g. underage possession of marijuana, possession of more than 1 ounce of marijuana by an individual) is 15 days

imprisonment in a county jail, a fine of up to \$100, or both. The penalty for a class 2 misdemeanor (e.g. transferring marijuana to an underage person) is 3 to 12 months imprisonment in a county jail, a fine of \$250 to \$1,000, or both. Because the courts have the discretion of incarceration or imposing a fine, the impact at the local level cannot be determined. The cost to house an offender in county jails varies from \$45 to \$50 per day in smaller rural jails to \$62 to \$65 per day for larger Denver-metro area jails.

### **State Appropriations**

For FY 2013-14, the following appropriations are required:

- \$1,045,648 and 4.8 FTE to the Department of Public Health and Environment from the Solid Waste Control Fund;
- \$307,542 and 3.6 FTE to the Department of Public Health and Environment from the Marijuana Cash Fund;
- \$154,034 and 1.8 FTE to the Department of Public Safety from the Marijuana Cash Fund;
- \$18,216 in reappropriated funds to the Department of Law;
- \$1,680,000 in General Fund to the Department of Law; and
- \$38,699 General Fund reduction for the Division of Probation Services and a reduction of 0.6 FTE.

### **Departments Contacted**

Corrections  
Education  
Health Care Policy and Financing  
Human Services  
Law  
Personnel and Administration  
Public Safety  
Revenue  
Transportation

Counties  
Governor  
Higher Education  
Judicial  
Municipalities  
Public Health and Environment  
Regulatory Agencies  
Sheriffs