

- allows retail marijuana stores to deduct certain business expenses from their state income taxes that are prohibited by federal tax law; and
- authorizes the Governor to designate state agencies to carry out other duties under the bill.

In addition, once the Marijuana Cash Fund has sufficient revenue to fully fund appropriations to the Department of Revenue under HB 13-1317, the bill:

- requires the Department of Public Safety (DPS) to study law enforcement activities related to retail marijuana; and
- requires the Department of Public Health and Environment (DPHE) to monitor the health the effects of marijuana.

State Revenue

This bill is expected to result in a net decrease in General Fund revenue of \$688,070 in FY 2013-14 and \$1,376,140 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.

State Expenditures

This bill will increase state expenditures by up to \$571,304 and 3.0 FTE in FY 2013-14, and \$480,371 and 6.0 FTE in FY 2014-15, although some costs are conditional on funding provided through other bills and voter approval of a sales tax on retail marijuana.

Cost Components	FY 2013-14	FY 2014-15
Personal Services	\$235,071	\$470,141
FTE	3.0	6.0
Operating Expenses and Capital Outlay	33,968	5,700
Computer Programming	280,000	
Travel	2,265	4,530
POST Training	20,000	
TOTAL	\$571,304	\$480,371

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 are not required until the regulatory and enforcement provisions of HB 13-1317 are fully funded. If funding is available, the study is expected to require \$180,906 and 2.0 FTE in FY 2013-14 assuming a January 2014 implementation date. For FY 2014-15, the CDPHE requires \$320,388 and 4.0 FTE in FY 2014-15 from the Marijuana Cash Fund.

DPS, Scientific study of law enforcement activities related to marijuana. The DPS is expected to have increased expenditures of \$89,398 in FY 2013-14 assuming a January 2014 implementation date and \$159,983 in FY 2014-15 from the Marijuana Cash Fund 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 is not required until HB 13-1317 is fully funded.

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 HB 13-1042 meets the requirements of this bill. An appropriation is included in this bill that will only be required if HB 13-1042 does not pass.

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.

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 fiscal note assumes the POST Board will analyze the impact of the new marijuana laws on law enforcement and prioritize Advanced Roadside Impairment Driving Enforcement (ARIDE) training and other related training within all training needs. The bill appropriates \$20,000 for this purpose. The POST Board does not make grants to any of the training academies so any costs associated with modifications to approved curriculums will be accommodated by each training academy.

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 2.

Table 2. Expenditures Not Included Under SB 13-283*		
Cost Components	FY 2013-14	FY 2014-15
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$20,272	\$40,544
Supplemental Employee Retirement Payments	14,429	32,648
TOTAL	\$34,701	\$73,192

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

State Appropriations

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

- \$180,906 and 2.0 FTE to the Department of Public Health and Environment from the Marijuana Cash Fund;
- \$280,000 in General Fund to the Department of Revenue;
- \$20,000 to the Department of Law from the POST Board Cash Fund; and
- \$90,348 and 1.0 FTE to the Department of Public Safety from the Marijuana Cash Fund.

Departments Contacted

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| Corrections | Counties |
| Education | Governor |
| Health Care Policy and Financing | Higher Education |
| Human Services | Judicial |
| Law | Municipalities |
| Personnel and Administration | Public Health and Environment |
| Public Safety | Regulatory Agencies |
| Revenue | Sheriffs |
| Transportation | |