

**FINAL  
FISCAL NOTE**

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<b>Drafting Number:</b> LLS 14-0818	<b>Date:</b> August 12, 2014
<b>Prime Sponsor(s):</b> Rep. McNulty; Singer Sen. Guzman; King	<b>Bill Status:</b> Signed into Law
	<b>Fiscal Analyst:</b> Clare Pramuk (303-866-2677)

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**SHORT TITLE:** REGULATION OF MARIJUANA CONCENTRATES

<b>Fiscal Impact Summary*</b>	<b>FY 2014-2015</b>	<b>FY 2015-2016</b>
<b>State Revenue</b>		
<b>State Expenditures</b>		
Cash Funds	\$100,000	
<b>FTE Position Change</b>		
<b>Appropriation Required:</b> \$100,000 - Department of Revenue (FY 2014-15)		

\* This summary shows changes from current law under the bill for each fiscal year.

**Summary of Legislation**

This bill requires that by January 1, 2016, the Department of Revenue (DOR) promulgate rules establishing the equivalency of one ounce of retail marijuana flower in various retail marijuana products including retail marijuana concentrate. Prior to promulgating the rules, the DOR may contract for a scientific study to determine such equivalency.

The bill also clarifies that a retail marijuana store may not sell more than one ounce of retail marijuana or its equivalent in retail marijuana products to a Colorado resident, or not more than a quarter ounce of retail marijuana or its equivalent in marijuana products to a nonresident.

**Background**

Colorado law allows individuals who are 21 years old or older to purchase one ounce or less of marijuana, but does not distinguish between an ounce of marijuana in dry plant or flower form from marijuana included in a marijuana product such as a brownie, cookie, or candy, or a concentrated form of marijuana such as oil, wax, or shatter. However, the potency of edible marijuana products is limited to 10 milligrams per serving of delta-9 tetrahydrocannabinol (THC), the principle psychoactive component in marijuana or a total of 100 milligrams.

**State Expenditures**

This bill is expected to increase expenditures from the Marijuana Cash Fund by **\$100,000 in FY 2014-15** only for the Marijuana Enforcement Division (MED) in the DOR. These costs are for the DOR to contract with one or more entities to conduct scientific research to determine reasonable equivalents of retail marijuana flower to both retail marijuana concentrate and products.

**Assumptions.** The following assumptions were used in developing this fiscal note:

- DOR will contract with a private entity or institution of higher education to conduct the study;
- contractors working on the study charge a rate of \$125 per hour;
- the study will require approximately 800 hours to complete;
- DOR will select a research methodology from RFPs submitted; and
- rulemaking can be addressed without new appropriations.

The DOR will develop and issue a request for proposal (RFP) in FY 2014-15, requiring a minimal increase in workload. The scientific study will cost \$100,000, paid by DOR to one or more third-party contract research firms or institutions of higher education. After the scientific report is issued, the DOR is expected to conduct rulemaking during FY 2015-16. This will require amending the DOR's current limits on the amount of retail marijuana sold in a single transaction, and can be completed without new appropriations. If the DOR's retail marijuana tracking system must be modified to account for the new limitations, those costs will be addressed in the annual budget process.

### **Local Government Impact**

For local governments that regulate retail marijuana, this bill may increase workload in the short-term to implement the equivalency standards. For law enforcement enforcing marijuana possession laws, this bill may reduce workload by creating a clearer limit on the permissible quantities of retail marijuana products and concentrates a person can possess.

### **Impact to State Institutions of Higher Education**

While laboratory testing of marijuana will likely be conducted by a private laboratory, the DOR may be able to contract with an institution of higher education for parts of the study that involve literature review or analysis of existing data. If so, that institution will have an increase in revenue.

### **Effective Date**

The bill was signed into law by the Governor and took effect on May 21, 2014.

### **State Appropriations**

For FY 2014-15, the Department of Revenue requires an appropriation of \$100,000 from the Marijuana Cash Fund.

### **State and Local Government Contacts**

Revenue

Law

Municipalities

Counties