

**STATE
FISCAL IMPACT**

Drafting Number: LLS 14-1088	Date: April 30, 2014
Prime Sponsor(s): Rep. Singer Sen. Steadman; Balmer	Bill Status: House Business, Labor, Economic, and Workforce Development
	Fiscal Analyst: Bill Zepernick (303-866-4777)

SHORT TITLE: AUTHORIZE MARIJUANA FINANCIAL SERVICE COOPERATIVES

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue	<u>\$270,000</u>	<u>\$270,000</u>
Cash Funds	270,000	270,000
State Expenditures	<u>\$278,466</u>	<u>\$247,597</u>
Cash Funds	233,427	201,102
Centrally Appropriated Costs**	45,039	46,495
FTE Position Change	2.5 FTE	2.5 FTE
Appropriation Required: \$233,427 - Dept. of Regulatory Agencies (FY 2014-15)		

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

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

Summary of Legislation

The bill allows for the creation and regulation of marijuana financial services cooperatives referred to as "cannabis credit co-ops" or CCCs, a new type of financial services entity with membership restricted to licensed marijuana businesses. CCCs are regulated by the Division of Financial Services in the Department of Regulatory Agencies (DORA) in a manner similar to credit unions with certain exceptions. Specifically, the bill:

- limits the number of CCC charters to 10 at any given time;
- requires incorporators of a CCC to provide written evidence of approval by the Federal Reserve Bank for access by the CCC to the federal reserve system;
- specifies that the Division of Financial Services must examine CCCs at least every six months;
- specifies that once a CCC member no longer owns or operates a licensed marijuana business, they are no longer qualified to be a CCC member
- prohibits a CCC from referring to itself as a bank or credit union;
- does not require CCCs to acquire and maintain deposit insurance;
- specifies that CCCs are subject to taxation and must comply with federal requirements relating to marijuana businesses; and
- requires CCCs to file a report with the Division of Financial Services regarding their compliance with federal law and guidance.

The regulation of CCCs is subject to a sunset review prior to its schedule repeal on September 1, 2020.

State Revenue

The bill is expected to increase cash fund revenue to the Division of Financial Services Cash Fund in DORA by approximately \$270,000 per year beginning in FY 2014-15. This revenue is from fees assessed on CCCs to cover the cost of regulation. Assuming 10 CCCs are incorporated, this fee will be \$27,000 per year for each CCC. The exact fee schedule will be determined by DORA and set based on the number of CCCs and assets held by these entities.

State Expenditures

The bill increases costs in DORA by **\$278,466 and 2.7 FTE in FY 2014-15 and \$247,597 and 2.6 FTE in FY 2015-16** and beyond. These costs, paid from the Division of Financial Services Cash Fund, are summarized in Table 1 and discussed below.

Table 1. Expenditures Under HB 14-1398		
Cost Components	FY 2014-15	FY 2015-16
Personal Services	\$180,511	\$180,511
FTE	2.7 FTE	2.6 FTE
Operating Expenses and Capital Outlay Costs	16,484	2,375
Legal Services	36,432	18,216
Centrally Appropriated Costs*	45,039	46,495
TOTAL	\$278,466	\$247,597

* Centrally appropriated costs are not included in the bill's appropriation.

Regulatory costs. The fiscal note assumes that 2.5 FTE are required in the Division of Financial Services for financial examiners and supervisory staff. The personal services, operating, and capital outlay costs associated with these staff are shown in Table 1.

Legal services. The Division of Financial Services requires \$36,432 in FY 2014-15 and \$18,216 in FY 2015-16 for legal services (400 hours in the first year and 200 hours per year thereafter). The Department of Law requires reappropriated funds and an allocation of 0.2 FTE in the first year and 0.1 FTE in the second year.

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. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under HB 14-1398		
Cost Components	FY 2014-15	FY 2015-16
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$15,371	\$15,371
Supplemental Employee Retirement Payments	12,535	13,991
Indirect Costs	17,133	17,133
TOTAL	\$45,039	\$46,495

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

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2014-15, the DORA requires an appropriation of \$233,427 from the Division of Financial Services Cash Fund and 2.5 FTE. Of this amount, \$36,432 is reappropriated to the Department of Law along with an additional 0.2 FTE.

State and Local Government Contacts

Regulatory Agencies Law