

Colorado Legislative Council Staff Fiscal Note

**FINAL  
FISCAL NOTE**

**Drafting Number:** LLS 14-1088 **Date:** July 21, 2014  
**Prime Sponsor(s):** Rep. Singer **Bill Status:** Signed into Law  
 Sen. Steadman; Balmer **Fiscal Analyst:** Bill Zepernick (303-866-4777)

**SHORT TITLE:** AUTHORIZE MARIJUANA FINANCIAL SERVICE COOPERATIVES

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016	FY 2016-2017
<b>State Revenue</b>		<b><u>\$255,000</u></b>	<b><u>\$255,000</u></b>
Cash Funds		255,000	255,000
<b>State Expenditures</b>	<b><u>\$50,000</u></b>	<b><u>\$257,003</u></b>	<b><u>\$249,053</u></b>
Cash Funds	50,000	210,508	201,102
Centrally Appropriated Costs**		46,495	47,951
<b>FTE Position Change</b>		2.6 FTE	2.6 FTE
<b>Appropriation Required:</b> \$50,000 - 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**

Conditional upon certain events occurring, 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, industrial hemp businesses, and other entities providing goods and services to licensed marijuana businesses that can document the inability to get comparable services from a bank or credit union. 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 that CCCs make certain disclosures to prospective members that, among other things, their assets may be subject to seizure under federal law and that they deposits are not federally insured;
- requires incorporators of a CCC to provide written evidence of approval by the Federal Reserve System Board of Governors 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;

- requires CCCs to file a report with the Division of Financial Services regarding their compliance with federal law and guidance; and
- allows the start-up costs of CCC regulation in DORA to be funded from the Marijuana Tax Cash Fund.

Once an incorporator of a CCC receives approval from the Federal Reserve System Board of Governors, DORA must convene a stakeholder group to discuss any conflicts in law that may exist and to recommend ways to resolve any conflicts. No CCC application may be approved until this stakeholder group has met and the General Assembly has resolved all identified conflicts. The regulation of CCCs is subject to a sunset review prior to its schedule repeal on September 1, 2020.

### **State Revenue**

Conditional upon a CCC receiving approval by the Federal Reserve System Board of Governors, the DORA conducting the required stakeholder process, and the General Assembly resolving any statutory conflicts, the bill increases cash fund revenue to the Cannabis Credit Co-op Fund in DORA by approximately \$255,000 per year beginning in FY 2015-16. This revenue is assumed to start in FY 2015-16, if all the conditions for issuance of a CCC charter are met by this date. This revenue is from fees assessed on CCCs to cover the cost of regulation. Assuming 10 CCCs are incorporated, this fee will be \$25,500 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. To the extent that funding from the Marijuana Tax Cash Fund is used for start-up expenses in FY 2015-16, the actual assessment revenue may be less than this amount in the first year of regulation.

### **State Expenditures**

The bill increases costs in DORA by **\$50,000 in FY 2014-15, \$259,355 and 2.6 FTE in FY 2015-16, and \$249,053 and 2.6 FTE in FY 2016-17 and beyond.** These costs, summarized in Table 1 and discussed below, are conditional upon a CCC receiving approval by the Federal Reserve System Board of Governors, the DORA conducting the required stakeholder process, and the General Assembly resolving any statutory conflicts.

**Assumptions.** The costs shown in this fiscal note are based on the following assumptions:

- the Federal Reserve System Board of Governors approves CCCs in FY 2014-15;
- the DORA and stakeholders meet in FY 2014-15 to identify any statutory conflicts and the General Assembly acts on the work group's recommendations at the 2015 session; and
- regulation of CCCs begins in FY 2015-16.

First-year costs are assumed to be paid from the Marijuana Tax Cash Fund. In the second year, to the extent assessment revenue is sufficient, costs are paid from the Cannabis Credit Co-op Fund. However, some start-up expenses in FY 2015-16 may also be paid from the Marijuana Tax Cash Fund.

**Stakeholder process.** Assuming CCCs are approved for operations by the Federal Reserve System Board of Governors, the DORA will have costs of \$50,000 in FY 2014-15 to conduct a stakeholder process to identify potential conflicts in law and make recommendations to the General Assembly on their resolution. This cost includes \$14,573 for 160 hours of legal services and \$34,427 for other expenses associated with the workgroup, including temporary staff, meeting facilitation, and other logistical expenses.

**Regulatory costs.** The fiscal note assumes that 2.5 FTE are required in the Division of Financial Services beginning in FY 2015-16 for financial examiners (2.0 FTE) and supervisory staff (0.5 FTE). The personal services, operating, and capital outlay costs associated with these staff are shown in Table 1. Once regulation begins, the Division of Financial Services requires \$18,216 per year beginning in FY 2015-16 for 200 hours of legal services. The Department of Law requires reappropriated funds and an allocation of 0.1 FTE each year for this work.

<b>Cost Components</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
Personal Services	\$0	\$180,511	\$180,511
FTE	0.0 FTE	2.6 FTE	2.6 FTE
Operating Expenses and Capital Outlay Costs	0	14,133	2,375
Legal Services	14,573	18,216	18,216
Stakeholder Workgroup Expenses	35,427	0	0
Centrally Appropriated Costs*	0	46,495	47,951
<b>TOTAL</b>	<b>\$50,000</b>	<b>\$259,355</b>	<b>\$249,053</b>

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

**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.

<b>Cost Components</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$0	\$15,371	\$15,371
Supplemental Employee Retirement Payments	0	13,991	15,447
Indirect Costs	0	17,133	17,133
<b>TOTAL</b>	<b>\$0</b>	<b>\$46,495</b>	<b>\$47,951</b>

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

**Effective Date**

The bill was signed into law by the Governor on June 6, 2014, including Sections 5 and 6 which took effect on June 6, 2014 when Senate Bill 14-215 was also signed and became law. Because SB 14-215 became law, Section 7 does not take effect.

**State Appropriations**

For FY 2014-15, the DORA requires an appropriation of \$50,000 from the Marijuana Tax Cash Fund. Currently, the bill includes an appropriation to DORA of \$233,427 from the Marijuana Tax Cash Fund.

If SB 14-215 does not become law, this appropriation should come from the Division of Financial Services Cash Fund, or the General Fund if sufficient revenue is not available in that cash fund.

**State and Local Government Contacts**

Regulatory Agencies                      Law