

Department of Revenue Marijuana Enforcement Division

MED Fee Setting
July 31, 2023
Stakeholder Meeting #2



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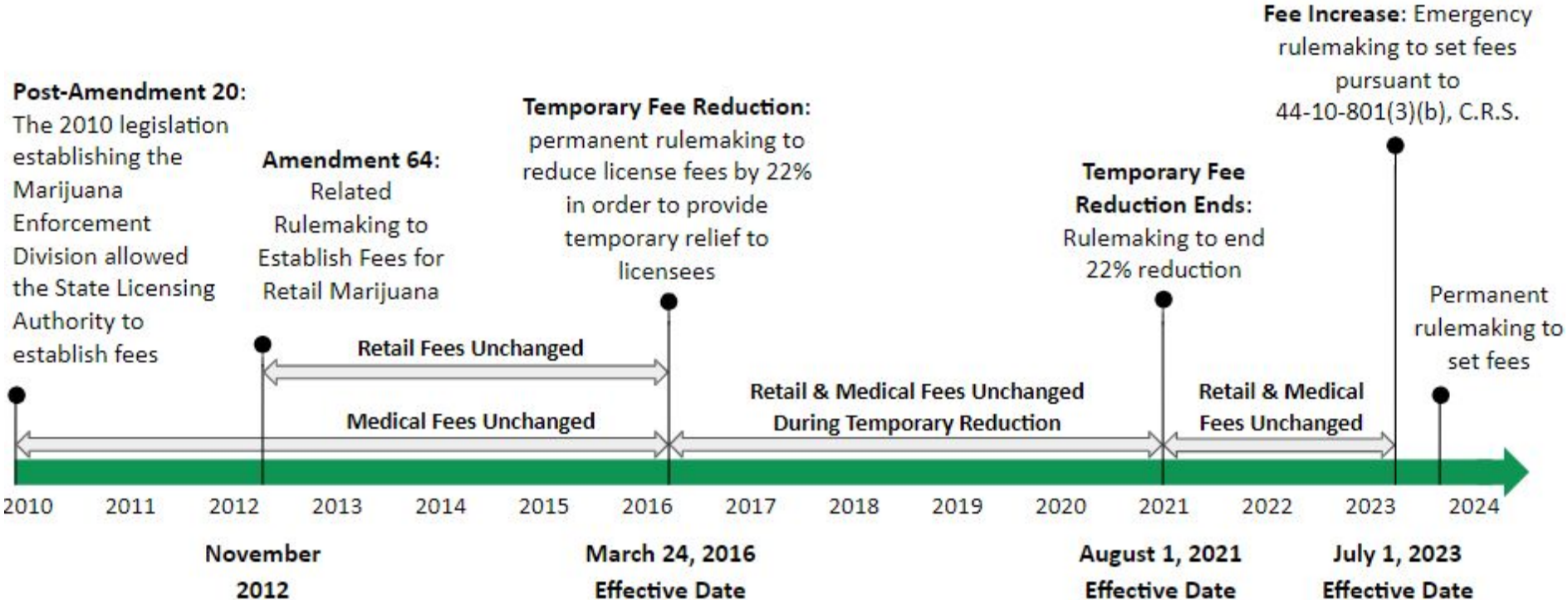
Agenda

1. Brief Background
2. Overview of Written Comments Received
3. Quick Hits
4. Ownership Licensing Fees
5. RTA fees
6. Public Comment



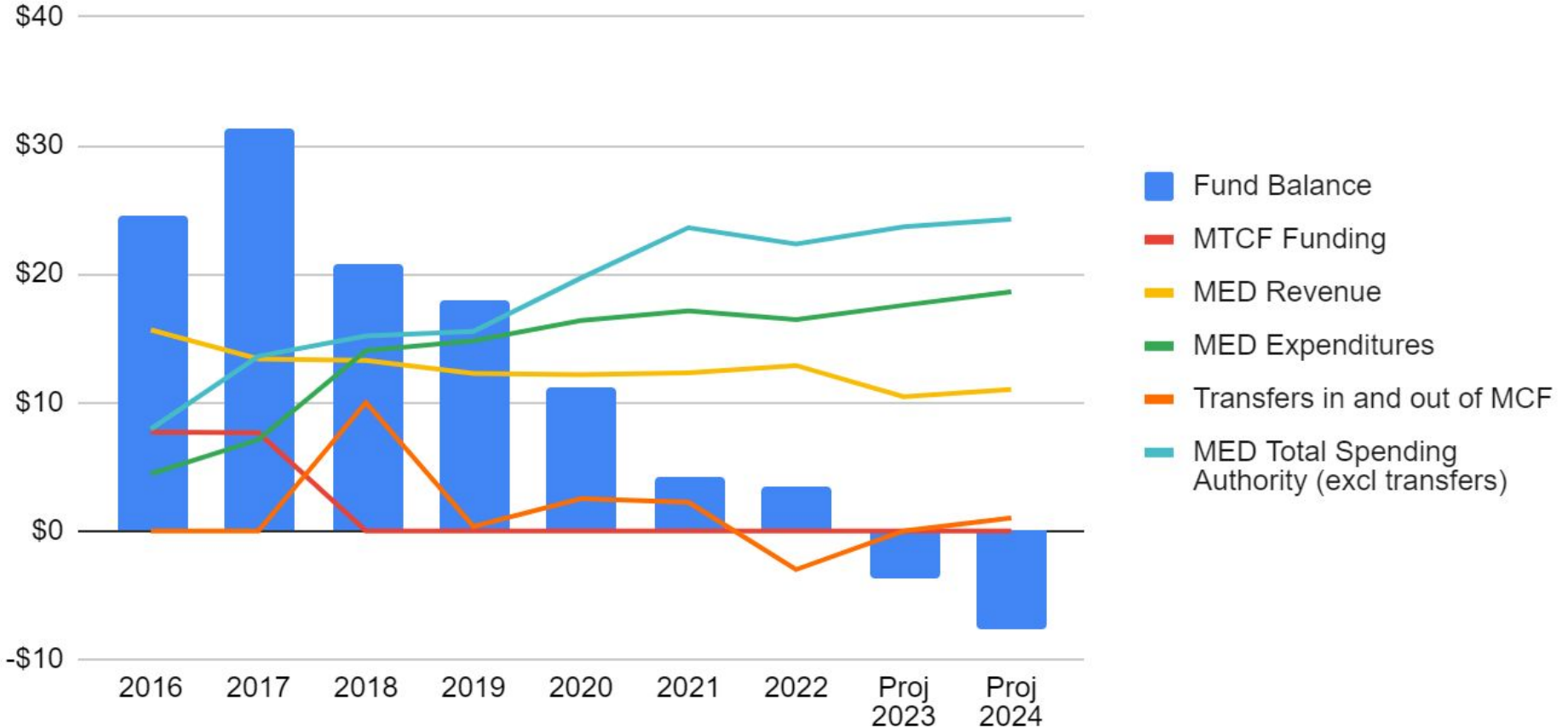
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Timeline of Fee Modifications



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MED Funding



Approach to Fee Setting

What steps did MED take?

- MED Budget & Operations Review
- Agency Response & Actions to Budget Shortfall
- Comparison to Other States with Similar Regulatory Programs
- Evaluation of license privileges that drive workload and resource use
- Consideration of economic impacts
- Evaluation of statutory compliance



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Agency Response

- Intentional vacancies (51 as of May 2023)
 - ~\$3.7 million of cost savings
- Reduction of space
 - Lakewood Office significantly downsized (2020)
 - CO Springs Office (June 2022)
 - Longmont Office (underway)
- Identification of other funding sources
 - Request for MTCF (not approved)
 - Insolvency Fund (loan - eligible)
 - Reversion (approved under SB23-199)
 - Maximizing allowable use of other funding sources in DOR



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Fees Walkthrough (Details Follow)

- **All fees increasing by ~8%, with four exceptions:**
 - Rounded to the nearest \$50 for applicant and MED simplicity
- **Exception 1:** Approved Social Equity licensees are eligible for a reduction on select licenses/permits for the initial and first renewal fee
- **Exception 2:** Employee license: \$150
- **Exception 3:** Levels
 - Matches fees to complexity and increased workload
- **Exception 4:** One new fee / category: Reduced Testing Allowance



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Social Equity Program Fees

Social Equity Program applicants and licensees pay a reduced percentage of the (new) standard fee for certain applications.

- Accelerator License and Accelerator-Endorsement Holder applications will continue to carry no fee.
- Reduced fees will apply to:
 - New Business application
 - Business Renewal application
 - Owner Individual / Owner Entity License Renewal application



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Employee License Fees

Will be restored to previous fee: \$150¹

Conditional Employee License fees will not change.



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¹ The Employee License fee (formerly Occupational License fee) was reduced from \$150 to \$100 in 2016.

Ownership Complexity

For new business licenses, owner entity license finding of suitability, and changes to ownership structure, the fee will increase based on the ownership complexity:

Ownership Levels:

- Level 1 - One (1) to four (4) Controlling Beneficial Owners and/or Owner Entities
- Level 2 - Five (5) to nine (9) Controlling Beneficial Owners and/or Owner Entities
- Level 3 - Ten (10) or more Controlling Beneficial Owners and/or Owner Entities

Example:

- Owner Entity Finding of Suitability - Level 1: \$850
 - Owner Entity Finding of Suitability - Level 2: \$1,300
 - Owner Entity Finding of Suitability - Level 3: \$1,700
- Level 3 fee is twice the amount of Level 1 fee (Level 2 is the midpoint between the fees)
- Allows the fee to be correlated to the work required due to more or less complex structures



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RTA Certification Fee

- **Background:**

- Reduced Testing Allowance (RTA) provisions allow licensees to significantly reduce the number of tests required to be completed each year.
- Statewide, licensees produce an average of five batches per week and the average cost to test each batch is \$400. Licensees creating five batches per week save approx. \$100K in testing costs each year.
- RTA provisions in rule have required significant Division resources to implement, monitor, and regulate. This includes:
 - Investigative and Analysis resources to monitor compliance with RTA and follow-up on related product safety issues, some of which lead to Health and Safety Advisories.
 - Approx. 180 investigations per year related to testing and product safety
 - Administrative action and legal services resources to follow-up on non-compliance.



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RTA Certification Fee (cont.)

- Effective January 1, 2024. Fee must be paid to obtain and exercise RTA privileges for a license.
- Licensees can choose to pay the RTA fee and submit a form at anytime throughout the year and it will qualify the Licensee for a 12-month window.
 - Form submitted with the fee will include an attestation that the Licensee understands testing regulations and requirements.
 - Payment and attestation form must be received by MED prior to exercising privileges of RTA.
 - RTA Certification can be renewed annually.
- License specific, not per test type.
- If RTA is lost or needs to be revalidated, a new fee is not required during the 12-month window.



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Public Comment



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What happens next?

Emergency Rules Effective July 1, 2023

Permanent Rules Effective January 1, 2024

Emergency Rules

- Stakeholder Meeting
- File Emergency Rules
- File Permanent Rule Notice

We are here



Receive and Review Written Comments

Public Rule Hearing

- Post Final Redlines
- Public Rule Hearing



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