



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25-1209: MARIJUANA REGULATION STREAMLINE

Prime Sponsors:

Rep. Lindstedt; Willford
Sen. Gonzales J.; Rodriguez

Fiscal Analyst:

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Bill Outcome: Signed into Law

Drafting number: LLS 25-0332

Version: Final Fiscal Note

Date: September 5, 2025

Fiscal note status: The final fiscal note reflects the enacted bill.

Summary Information

Overview. The bill makes several changes to the regulation of marijuana businesses, including to background check, surveillance, and research and development requirements, and transfers funds.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Revenue
- State Expenditures
- State Transfers
- TABOR Refunds
- Local Government

Appropriations. For FY 2025-26, the bill requires and includes a reduction in appropriations of \$278,528 to the Department of Revenue and the Department of Public Safety. See State Appropriations section.

Table 1
State Fiscal Impacts

Type of Impact ¹	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	-\$234,501	-\$469,002
State Expenditures	-\$306,721	-\$569,839
Transferred Funds	\$300,000	\$300,000
Change in TABOR Refunds	-\$157,691	-\$315,382
Change in State FTE	-1.5 FTE	-2.8 FTE

¹ Fund sources for these impacts are shown in the tables below

**Table 1A
State Revenue**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	\$0	\$0
Cash Funds	-\$234,501	-\$469,002
Total Revenue	-\$234,501	-\$469,002

**Table 1B
State Expenditures**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	\$0	\$0
Cash Funds	-\$278,528	-\$517,213
Federal Funds	\$0	\$0
Centrally Appropriated	-\$28,193	-\$52,626
Total Expenditures	-\$306,721	-\$569,839
Total FTE	-1.5 FTE	-2.8 FTE

**Table 1C
State Transfers**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	-\$300,000	-\$300,000
Marijuana Entrepreneur Fund	\$300,000	\$300,000
Net Transfer	\$0	\$0

Summary of Legislation

The bill makes changes to the regulation of marijuana businesses, as outlined below.

Rulemaking

The bill allows the Marijuana Enforcement Division (MED) in the Department of Revenue to adopt rules allowing for individual digital identification cards for licensed owners of marijuana businesses or persons who transport regulated marijuana, and expands options for digital communication with licensees. It also clarifies what must be included in rules related to record-keeping requirements, and requires expanded rulemaking related to video surveillance requirements and research and development units (R&D units).

Background Checks

Under current law, all marijuana license and renewal applicants must complete a fingerprint-based criminal history record check. Under the bill, a fingerprint-based criminal history record check is only required for owners upon initial application, and a name-based judicial record check is required for renewals. Occupational license holders are required only to obtain a name-based judicial record check each year. The MED may require an additional fingerprint check when there is a demonstrated need.

Current law prohibits businesses from possessing a license if they employ anyone who has not undergone a background check. The bill removes the requirement, and allows employees and managers to begin working before the individual's application has been fully processed.

Video Surveillance Requirements

Under current law, marijuana business must meet minimum security requirements. The bill specifies that rules related to video surveillance must include that businesses have cameras on all entrances and exits to the store, each point of sale, shipping and receiving areas, and areas where delivery vehicles load and unload materials. The bill also removes the requirement for mobile marijuana hospitality businesses have surveillance inside the vehicle. The bill specifies that DOR rules must include procedures for requests for surveillance recordings.

Research and Development Units

Under current law, cultivation facilities and manufacturers of marijuana can provide Research and Development (R&D) units for quality control or product development purposes to managers of these facilities. The bill allows these R&D units to be provided to all employees of the facility, provided certain requirements are met. Facilities cannot require their employees to consume R&D units, receive any compensation for distributing the, or distribute R&D units to licensees for more than 20 days in a calendar month. The bill specifies that MED shall adopt rules stating that adding flavors to R&D units do not count as a separate batch that is subject to additional testing.

Repeal of Certain Requirements

The bill repeals provisions that make undisclosed ownership of a marijuana license and an unapproved transfer of a marijuana license a class 2 misdemeanor. The bill also repeals the requirement that the person with day-to-day operational control over a marijuana business be a Colorado resident.

Fees and Inspections

The bill requires that the MED assess a fee to request a copy of a license application. The bill specifies that licensees to not have to maintain duplicate copies of their records unless the MED requires the licensee to maintain additional records upon finding of a violation.

Transfers to Marijuana Entrepreneur Fund

The bill requires two transfers of \$300,000 from the General Fund to the Marijuana Entrepreneur Fund on July 1, 2025, and July 1, 2026.

State Revenue

The bill decreases state cash fund revenue by \$235,000 in FY 2025-26 (half-year impact), and \$469,000 in FY 2026-27 and ongoing. The bill removes the requirement that owners and employees of marijuana businesses submit to an annual criminal background check, which decreases state cash fund revenue to the CBI Identification Unit Cash Fund in the DPS.

Fee Impact on Marijuana Business Owners and Employees

The fiscal note assumes that 30,723 marijuana business owners and employees will shift from fingerprint-based criminal history record checks to name-based judicial record checks. This represents the number of owners and employees as of [February 2025](#). These licensees are on a biennial renewal cycle, so the amounts shown in Table 2 below reflect this impact divided between two fiscal years. The first-year impact is prorated for the bill's effective date.

The current fee for criminal background checks is \$39.50, which includes \$10.00 for the Federal Bureau of Investigation (FBI) fingerprint-based check, which is passed on to that federal agency, and excluded from the state TABOR limit. The current fee for a name-based judicial record check is \$8.97, which is subject to TABOR.

Table 2
Annual Fee Impact on Marijuana Business Owners and Employees
FY 2026-27 and ongoing

Type of Fee	Fee	Number Affected	Total Fee Impact
Criminal Background Check (CBI ID Unit Cash Fund)	\$29.50	-15,362	-\$453,179
Criminal Background Check (Federal Pass-through)	\$10.00	-15,362	-\$153,620
Name-based Judicial Check	\$8.97	15,362	\$137,797
Annual Fee Revenue			-\$469,002
Annual TABOR Impact			-\$315,382

Marijuana Fee Revenue

The bill also increases revenue to the Marijuana Cash Fund for any fees charged to applicants to obtain a copy of a license application. The revenue increase is expected to be minimal.

State Transfers

On July 1, 2025 and July 1, 2026, the bill requires transfers of \$300,000 from the General Fund to the Marijuana Entrepreneur Fund. These transfers are shown in Table 1C above.

State Expenditures

The bill decreases state expenditures by \$307,000 in FY 2025-26, and \$570,000 in FY 2026-27 and ongoing. This includes reductions in Department of Revenue expenditures, paid from the Marijuana Cash Fund, and reductions in Department of Public Safety expenditures, paid from the CBI Identification Unit Cash Fund. These impacts are summarized in Table 3 and discussed below.

Table 3
State Expenditures
All Departments

Department	Budget Year FY 2025-26	Out Year FY 2026-27
Department of Revenue	-\$25,883	-\$25,883
Department of Public Safety	-\$280,838	-\$543,956
Total Costs	-\$306,721	-\$569,839

Department of Revenue

MED will have decreased expenditures from the Marijuana Cash Fund estimated at \$25,883 per year. Allowing license holders to possess a digital form of identification and removing the requirement that renewal notices be mailed to a licensee results reduces MED mailing costs.

In addition, workload in MED will increase to modify enforcement procedures related to samples, and R&D units. No change in appropriations is required for that work. The MED will also incur additional rulemaking costs to implement the various changes required by the bill. Legal services for rulemaking are provided by the Department of Law. These additional costs are absorbable within existing legal services appropriations.

Department of Public Safety

This bill decreases overall expenditures from the CBI Identification Unit Cash Fund in DPS by \$281,000 and 1.5 FTE in FY 2025-26 (half year impact) and \$544,000 and 2.8 FTE in FY 2026-27 and ongoing. Costs are summarized in Table 3A and described below.

Staff

Beginning in FY 2025-26, DPS will no longer require 1.9 FTE Fingerprint Examiner II and 0.9 FTE Data Manager III to process the 15,362 fingerprint background applications that the fiscal note assumes the bill will eliminate annually. First year FTE and expenditure reductions are prorated a half-year impact based on the bill's effective date.

Federal Bureau of Investigation Pass-through

The DPS passes \$10.00 of every application on to the federal government. With 15,362 less applications, this equates to a reduction of \$153,620 per year. This amount is prorated for a half-year impact in FY 2025-26.

Processing Costs

There are the following costs associated with each background check application: \$6.10 dedicated to equipment maintenance; \$1.55 for print digitization; \$0.88 to access the Colorado Crime Information Center for information pertinent to the background check; and \$0.73 for postage costs. This equates to a reduction of \$142,252 per year, with the reduction prorated for a half year impact in FY 2025-26.

Table 3A
State Expenditures
Department of Public Safety

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
Personal Services	-\$102,789	-\$191,874
Operating Expenses	-\$1,920	-\$3,584
FBI Pass-through Fee	-\$76,810	-\$153,620
Background Check Expenses	-\$71,126	-\$142,252
Centrally Appropriated Costs	-\$28,193	-\$52,626
Total Costs	-\$280,838	-\$543,956
Total FTE	-1.5 FTE	-2.8 FTE

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. These costs, which may include employee insurance, supplemental employee retirement payments, leased space, and indirect cost assessments, are shown in the expenditure tables above.

TABOR Refunds

The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by the amounts discussed in the State Revenue section and shown in Table 1. This estimate assumes the March 2025 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2026-27. Because TABOR refunds are paid from the General Fund, decreased cash fund revenue will increase the amount of General Fund available to spend or save.

Local Government

Local marijuana licensing authorities may have additional workload to adjust their workload and rules to accommodate the provisions of the bill.

Effective Date

The bill was signed into law by the Governor on June 3, 2025, and the provisions of the bill that transfer General Fund to the Marijuana Entrepreneur Fund take effect on that date. The remainder of the bill takes effect January 5, 2026.

State Appropriations

For FY 2025-26, the bill requires and includes the following adjustments to the 2025 Long Bill:

- a reduction in appropriations of \$25,883 from the Marijuana Cash Fund to the Department of Revenue; and
- a reduction in appropriations of \$252,645 from the CBI Identification Unit Cash Fund to the Department of Public Safety, and a reduction of 1.5 FTE.

State and Local Government Contacts

Counties
Law
Municipalities

Public Health and Environment
Revenue