152nd GENERAL ASSEMBLY
FISCAL NOTE

BILL:	**HOUSE BILL NO. 2**
SPONSOR:	**Representative Osienski**
DESCRIPTION:	**AN ACT TO AMEND TITLES 4, 11, 16, AND 30 OF THE DELAWARE CODE RELATING TO CREATION OF THE DELAWARE MARIJUANA CONTROL ACT.**

Assumptions:

1. This Act, known as the Delaware Marijuana Control Act, becomes effective upon signature by the Governor.
2. This Act regulates and taxes marijuana in the same manner as alcohol. Other provisions of this Act relevant to this fiscal projection include:
   a. permitting the operation of marijuana businesses (i.e., retail stores, testing, cultivation, and product manufacturing facilities) if operated under proposed licenses and restrictions as defined within the Act.
   b. creates the Delaware Marijuana Control Act Oversight Committee to evaluate and make recommendations regarding the implementation of this Act.
   c. expands upon the powers and duties of the Division of Alcohol and Tobacco Enforcement (DATE) of the Department of Safety and Homeland Security (DSHS) for the enforcement of marijuana laws.
   d. creates a Marijuana Commissioner who would have the authority to adopt regulations to implement this Act, including the establishment of requirements related to obtaining licenses for marijuana establishments and the products sold at these establishments.
   e. creates an Appeals Commission that shall hear an applicant or licensee's appeal of a decision of the Marijuana Commissioner.
   f. creates the Marijuana Regulation Fund (MRF), administered by the Office of the State Treasurer, which would consist of the fees collected, civil penalties imposed, and taxes collected under this Act.
   g. creates the Justice Reinvestment Fund to allocate 7% of the tax revenue collected for programs and initiatives focusing on restorative justice and other related issues.
3. This Act expands upon the DATE's duties and powers and creates an Office of the Marijuana Commissioner and Appeals Commission. Recurring annual costs are estimated at $1,905,279, and one-time costs are estimated at $848,571 and are as follows:
   a. Addition of 14.0 FTE positions to the DATE for marijuana regulation and enforcement.
      i. Recurring Costs - $1,355,978
         1. $1,155,978 in Personnel Costs, including Other Employment Costs (OECs), for 1.0 FTE, Captain; 1.0 FTE, Lieutenant; 1.0 FTE, Sergeant; 8.0 FTE, Marijuana Enforcement Agent III (same as Alcohol & Tobacco Enforcement Agent III); 1.0 FTE, Deputy Attorney General; 1.0 FTE, Public Information Officer; 1.0 FTE, Management Analyst III; and adjustments to the base salary of the Division Director and Deputy Director for DATE.
         2. $200,000 for the estimated rent and utilities for a DATE marijuana facility to house the new positions.

ii. One-Time Costs - $834,571

1. $100,000 to upgrade the current alcohol license tracking and violation system to accommodate marijuana.
2. $14,000 for travel needs for DATE to visit a regulated state(s) to observe marijuana regulation, enforcement, public health, and agricultural practices.
3. $200,000 for an external evidence storage building with security.
4. $20,000 startup costs for purchase, training, and equipping a drug detection K9 and equipping an existing vehicle in DATE's fleet.
5. $100,000 for recruitment services for DATE
6. $300,571 in supplies for equipment (uniforms, firearms, radios), computers, office furniture, and office supplies.
7. $100,000 for hiring a consultant to draft marijuana regulations and review the policies and procedures for marijuana regulation and enforcement.

b. Addition of 5.0 FTE positions for creating an Office of the Marijuana Commissioner.

i. Recurring Costs - $549,301

1. $444,126 in Personnel Costs, including OECs, for 1.0 FTE, Marijuana Commissioner; 1.0 FTE, Deputy Marijuana Commissioner; 1.0 FTE, Deputy Attorney General; 1.0 FTE, Paralegal I; and 1.0 FTE, Administrative Specialist II.
2. $5,175 for estimated annual compensation and reimbursement of reasonable expenses to create a three-member Appeals Commission.
3. $100,000 for the estimated rent and utilities for a facility to house the new positions.

ii. One-Time Costs - $14,000 for computer equipment and office furniture startup costs for new positions.

4. The Department of Finance (DOF), Division of Revenue (DOR), anticipates a need for personnel to assess, collect, and review taxpayer accounts to identify deficiencies of a retail marijuana tax and conduct necessary audits. The Fiscal Year 2024 costs are estimated at $147,882, and one-time costs are estimated at $1,034,600 and are as follows:

a. Addition of 7.0 FTE positions for collecting and auditing a marijuana tax.

i. Recurring Costs - $147,882 in the Fiscal Year 2024 Personnel Costs (3 months of funding), including OECs, for 1.0 FTE, Tax Auditor Supervisor; 3.0 FTE, Tax Auditor III; 2.0 FTE, Tax Auditor II, and 1.0 FTE, Tax Auditor I.

ii. One-Time Costs - $1,034,600

1. $1,000,000 for creating forms and programming a new tax type in the revenue collection system.
2. $19,600 for computer equipment and office furniture startup costs for new positions.
3. $15,000 for purchasing a safe for the anticipated collection of cash receipts.

5. Starting in Fiscal Year 2025, the DOF anticipates an influx of cash transactions once the revenue collection process begins. The department believes it will require additional funding for cash delivery and transit services. This is estimated to be a minimum of an additional $34,000 for the Fiscal Year 2025 (for eight months) and $51,000 for Fiscal Year 2026. The Office of the State Treasurer may require additional Appropriated Special Fund (ASF) authority for Banking Services related to bank handling costs due to the anticipated volume of cash transactions. An additional ASF authority of up to $129,000 in the Fiscal Year 2025 and up to $194,000 in the Fiscal Year 2026 may be necessary.

6. The DATE anticipates that it will develop and execute a Memorandum of Understanding (MOU) with the Department of Health and Social Services (DHSS), Division of Public Health (DPH), which will require personnel for the enforcement of regulations associated with this Act. Recurring annual costs for the DPH are estimated at $108,468, and one-time costs are estimated at $16,800 and are as follows:
    a. Addition of 6.0 FTE positions for investigating the regulated activities to assure compliance with applicable laws.
        i. Recurring Costs - $108,468 in the Fiscal Year 2024 Personnel Costs (3 months of funding), including OECs, for 6.0 FTE, Investigator II.
        ii. One-Time Costs - $16,800 for computer equipment and office furniture startup costs for new positions.
7. The DATE anticipates developing and executing an MOU with the Department of Agriculture (DDA), which will require personnel to enforce regulations associated with this Act. Recurring annual costs for the DDA are estimated at $39,596, and one-time costs are estimated at $14,000 and are as follows:
    a. Addition of 2.0 FTE positions for investigating the regulated activities to assure compliance with applicable laws.
        i. Recurring Costs - $39,596 in the Fiscal Year 2024 Personnel Costs (3 months of funding), including OECs, for 2.0 FTE, Agricultural Specialist.
        ii. One-Time Costs - $14,000 for computer equipment, office furniture, and other necessary startup costs for the new positions.
8. This Act will result in additional revenue by introducing application fees, license fees, civil penalties imposed, and a marijuana control enforcement tax of 15% percent. The accompanying Fee Impact for this Act estimates that the State may receive a minimum of $925,000 in Fiscal Year 2025 from application and license fees, assuming that a sufficient applicant pool exists and the maximum number of licenses issued.
9. All Fiscal Year 2024 personnel costs for the DATE and the Office of the Marijuana Commissioner have been estimated for nine months of funding, with the annualization of the remaining three months incorporated into subsequent year estimates. Additionally, a 2% inflation cost has been included for projected increases in salary, health insurance, and OECs.
10. All Fiscal Year 2024 personnel costs for the DOR, DPH, and the DDA have been estimated for three months of funding, with the annualization of the remaining nine months incorporated into subsequent year estimates. Additionally, a 2% inflation cost has been included for projected increases in salary, health insurance, and OECs.
11. Lastly, this fiscal impact assumes that the Fiscal Year 2024 operational costs associated with this Act would have to initially be funded through the General Fund as any revenue received by the generation of fees, penalties, and taxes to the MRF would not occur until after the implementation and the hiring of the necessary FTE positions. Provided enough revenue is collected to offset the operational costs identified, it is assumed that the DATE, Office of the Marijuana Commissioner, and the Appeals Commission would be funded from revenues from the MRF in subsequent fiscal years. Recurring identified budgetary needs for the DOR, DPH, and the DDA are projected to remain supported by the General Fund until otherwise determined by the General Assembly.

Cost:

	One-Time	General Fund	Appropriated Special Fund	Marijuana Regulation Fund
Fiscal Year 2024:	$1,913,971	$2,201,225		
Fiscal Year 2025:		$1,241,459	$129,000	$2,470,510
Fiscal Year 2026:		$1,282,608	$194,000	$2,513,782

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