

Colorado Legislative Council Staff Fiscal Note

**STATE and LOCAL
REVISED FISCAL IMPACT**

(replaces fiscal note dated February 18, 2014)

Drafting Number: LLS 14-0809
Prime Sponsor(s): Rep. Stephens

Date: March 26, 2014
Bill Status: House Appropriations
Fiscal Analyst: Clare Pramuk (303-866-2677)

SHORT TITLE: MARIJUANA DIVERSION PREVENTION GRANT PROGRAM

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue		
State Expenditures	<u>\$1,000,000</u>	<u>\$1,000,000</u>
Cash Funds	988,462	987,837
Centrally Appropriated Costs**	11,538	12,163
FTE Position Change	1.0 FTE	1.0 FTE
Appropriation Required: \$488,462 - DPS, \$500,000 - Judicial (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

As amended by the House Health Insurance and Environment Committee, this bill creates the Marijuana Diversion Grant Program (grant program) to be administered by the Division of Criminal Justice (DCJ) in the Department of Public Safety (DPS). The General Assembly is authorized to appropriate funds in the Marijuana Cash Fund to the grant program and the Correctional Treatment Cash Fund in the Judicial Branch, when the Marijuana Cash Fund has a surplus. The appropriation for each program is limited to \$500,000 for an annual total of \$1.0 million in FY 2014-15 and FY 2015-16. The grant program will provide grants to the Colorado State Patrol (CSP), local law enforcement agencies, and other state law enforcement agencies in states that share a border with Colorado that are coordinating with the CSP or a local law enforcement agency to assist in efforts to prevent the diversion of retail marijuana outside of Colorado.

The grant program has a four member review committee consisting of:

- the director of the DCJ;
- the executive director of the DPS, or his or her designee;
- the executive director of the statewide organization representing sheriffs, or his or her designee; and
- the executive director of the statewide organization representing the chiefs of police, or his or her designee.

The DCJ is required to develop a grant application that must include at a minimum:

- a description of how the money will be used to prevent diversion or apprehend those who divert retail marijuana;

- a description of how the law enforcement entity will coordinate with other law enforcement and government entities; and
- the requested grant amount with itemized costs.

Grant applications must be submitted by August 1 of any year that the General Assembly appropriates grant money. The grant review committee will review and award grants based on need and effectiveness with priority given to an application from the CSP.

Background

The Marijuana Cash Fund receives revenue from:

- state sales taxes applied to the sale of medical and retail marijuana;
- a special sales tax on retail marijuana;
- excise tax collected on retail marijuana that exceeds \$40 million annually; and
- licensing fees collected by the Department of Revenue from medical and retail marijuana businesses.

Under current law, funds are earmarked for the direct and indirect costs of regulating medical and retail marijuana by the Department of Revenue, marijuana criminal and health studies, certain substance abuse services, and peace officer training. Although revenue data is not yet available for retail marijuana sales, the fund is expected to have surplus funds available in FY 2014-15.

State Expenditures

This bill is expected to increase expenditures from the Marijuana Cash Fund by up to \$1,000,000 in FY 2014-15 and FY 2015-16. Expenditures are shown in Table 1 and explained below.

Table 1. Expenditures Under HB 14-1209		
Cost Components - DCJ	FY 2014-15	FY 2015-16
Personal Services	\$77,459	\$77,459
FTE	1.0 FTE	1.0 FTE
Operating Expenses and Capital Outlay Costs	5,653	950
Travel	1,000	1,000
Grant Management System	25,000	25,000
Marijuana Diversion Prevention Grants	379,350	383,428
Centrally Appropriated Costs*	11,538	12,163
Cost Components - Judicial	FY 2014-15	FY 2015-16
Correctional Treatment Programs	500,000	500,000
TOTAL	\$1,000,000	\$1,000,000

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

DPS, DCJ. This bill is expected to increase expenditures for the DCJ by \$500,000 annually. As administrator of the grant program, the DCJ will staff the grant review committee, develop grant applications, notify eligible law enforcement agencies about the availability of the grant program, and process grant applications.

Once grants are awarded, the DCJ will disburse and track grant funding and monitor grant implementation. This is expected to require 1.0 FTE in FY 2014-15 to develop and implement the grant program, and 1.0 FTE in FY 2015-16 for ongoing grant program administration. The number of grants and total grant awards will depend on how many applications are approved for funding within the \$500,000 expenditure limit for the first two years of the program.

DPS, CSP. If the CSP chooses to apply for grant funding, it will have an increase in workload to develop the grant application. This is not expected to require a new appropriation. If grants are awarded to CSP, the fiscal note assumes it will be deposited into the continuously appropriated Counterdrug Activities Cash Fund.

Judicial Branch, Correctional Treatment Board. This bill will increase the expenditures for the board by \$500,000 in FY 2014-15 and FY 2015-16. The board will include the increased funding in the development of its annual funding plan, but is not expected to see an increase in workload.

Centrally appropriated costs. Pursuant to a Joint Budget Committee (JBC) 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.

Cost Components	FY 2014-15	FY 2015-16
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$6,159	\$6,159
Supplemental Employee Retirement Payments	5,379	6,004
TOTAL	\$11,538	\$12,163

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

Local Government Impact

Local law enforcement agencies that apply for grants will have an increase in workload and those that are awarded grants will see an increase in revenue. The total amount that can be awarded is \$379,350 in FY 2014-15 and \$383,428 in FY 2015-16. Because it is not known what size of grants will be requested and awarded, the amount of increase for individual law enforcement agencies cannot be estimated.

Technical Considerations

As amended by the House Health Insurance and Environment Committee, the bill includes an incorrect statutory reference. On page 2, line 13 of the preamended bill, the reference should be to Section 24-33.5-517, C.R.S.

Effective Date

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

State Appropriations

For FY 2014-15, from the Marijuana Cash Fund, the Judicial Branch requires an appropriation of \$500,000 and the Department of Public Safety requires an appropriation of \$488,462 and an allocation of 1.0 FTE.

Departmental Difference

The DPS identified costs of \$152,520 and 1.5 FTE in FY2014-15 and \$149,347 and 1.5 FTE in FY 2015-16 based on the potential for 219 grant applicants, complex grant proposals, and a significant monitoring activity. This estimate also included \$6,300 per year in travel expenditures to conduct on-site inspections and provide technical assistance.

This analysis assumes that because the CSP has priority over other law enforcement agencies in consideration of grant funds, that it will be the primary recipient and already subject to significant governmental oversight. Any additional funds are expected to be disbursed to a minimal number local law enforcement agencies so only \$1,000 in travel expenditures are expected. As such, the fiscal note assumes that one program grant manager can administer the grant program at a total cost of \$120,650 in FY 2014-15 and \$116,572 in FY 2015-16.

State and Local Government Contacts

Personnel and Administration
Law
Chiefs of Police

Revenue
Public Safety
Sheriffs