

Colorado Legislative Council Staff Fiscal Note

**FINAL
FISCAL NOTE**

Drafting Number: LLS 14-0850	Date: August 14, 2014
Prime Sponsor(s): Sen. Steadman Rep. May; Duran	Bill Status: Signed into Law
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SHORT TITLE: MEDICAL MARIJUANA HEALTH EFFECTS GRANT PROGRAM

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue	<u>\$0</u>	<u>\$0</u>
<i>Revenue Change</i>		
Gifts, Grants and Donations	Possible increase.	Possible increase.
<i>State Transfers</i>	(200,000)	up to (9,200,000)
Cash Funds	200,000	up to 9,200,000
State Expenditures	<u>\$199,941</u>	<u>up to \$9,198,259</u>
Cash Funds	145,467	up to 9,143,061
Centrally Appropriated Costs**	54,474	55,198
FTE Position Change	2.0	2.0
Appropriation Required: None. Fund are continuously appropriated to the DPHE.		

* This summary shows changes from current law under the bill for each fiscal year. Transfers and diversions result in no net change to state revenue. Parentheses indicate a decrease in funds.

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

Summary of Legislation

The bill creates a grant program to fund scientific research on the use of marijuana, its component parts, and industrial hemp, as a part of medical treatment and establishes the Health Research Subaccount of the Medical Marijuana Program Cash Fund. The Department of Public Health and Environment (DPHE) has continuous spending authority over the subaccount and may transfer up to \$10.0 million from the Medical Marijuana Program Cash Fund to the subaccount between July 1, 2014, and June 30, 2019, depending on the cost of approved health research projects.

The DPHE will receive a transfer of \$200,000 per fiscal year from the \$10.0 million for administration of the grant program. The grant program may solicit, apply for, and accept moneys from foundations, private individuals, and all other funding sources to expand the scope or timeframe of authorized medical marijuana studies. While the grant program is in effect, the alternative target reserve for the Medical Marijuana Program Cash Fund will be 16.5 percent of the amount in the fund excluding the \$10.0 million for this bill.

The State Board of Health (board) will establish rules for the administration of the program based on criteria specified in the bill. The executive director of the DPHE will appoint a scientific advisory council of at least six, but no more than twelve members to provide policy guidance and scientific oversight and review. The Chief Medical Officer of the DPHE will serve as chair of the

council and members will be reimbursed for their travel expenses. The council will make recommendations for grant recipients, amounts, and duration to the DPHE and the board. The board has the authority to approve or disapprove grant recommendations. A grant award can not exceed three years without renewal.

By January 1, 2016, and annually thereafter, the grant program will report to the board on the progress of the medical marijuana studies and address what diseases or conditions are being studied, the number of patients enrolled, and any scientifically valid preliminary findings.

The Attorney General is required to seek authority from the federal government to permit Colorado institutions of higher education to contract with the National Institute of Drug Abuse to cultivate marijuana for use in research studies funded by the grant program.

State Revenue

The bill transfers funds and allows for the receipt of gifts, grants, and donations as described below.

State transfers. This bill requires that \$200,000 be transferred each year from the Medical Marijuana Cash Program Fund to the subaccount for administration of medical marijuana health research beginning July 1, 2014 and continuing each July 1 through July 1, 2018, for a total of \$1.0 million. The DPHE can direct that additional transfers be made based on the cost of health research projects approved by the board, up to a total of \$9.0 million over the next five years.

Gifts, grants, and donations. The grant program can accept funds from other sources but no such gifts, grants, or donations have been identified. Because the DPHE has continuous spending authority, any such monies can be directed toward funding medical marijuana health research without further legislative action.

State Expenditures

This bill is expected to increase cash fund expenditures by **\$199,941 and 2.0 FTE in FY 2014-15 and up to \$9,198,259 and 2.0 FTE in FY 2015-16** for the DPHE. Total expenditures may increase depending upon receipt of gifts, grants, or donations to the grant program.

Cost Components	FY 2014-15	FY 2015-16
Personal Services	\$131,161	\$131,161
FTE	2.0 FTE	2.0 FTE
Operating Expenses and Capital Outlay Costs	11,306	1,900
Travel	3,000	10,000
Grant Awards		up to \$9,000,000
Centrally Appropriated Costs*	54,474	55,198
TOTAL	\$199,941	\$9,198,259

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

Center for Health and Environmental Information and Statistics (CHEIS). The CHEIS in the DPHE will add two staff to administer the grant program, a general professional and a scientist. The general professional will manage the grant program including handling all aspects of the request for applications (RFA) process, monitoring grantee performance, and coordinating a technical symposium to educate potential applicants on the program. The scientist will provide policy guidance and scientific oversight for the grant program including working with the advisory council, evaluating research plans and researcher protocols, and providing scientific technical assistance to potential applicants and approved grantees.

Grant program expenditures are shown in Table 1 above. These include standard operating and capital outlay costs as well as travel for staff and advisory council members.

Grant Awards. The fiscal note assumes that no grants will be awarded in the first year of implementation but funding may be disbursed beginning in FY 2015-16. Although it is not likely that all \$9,000,000 in grant funds will be awarded in FY 2015-16, this amount is indicated in the second year to recognize the potential expenditures under the bill.

Department of Law. The Department of Law is tasked with seeking federal approvals for medical marijuana-related research at Colorado institutions of higher education, both generally and for specific research projects. The fiscal note assumes that this will not require new appropriations. Should support of institutions of higher education result in a significant increase in workload, the department will seek additional funding through the annual budget process.

Department of Higher Education. The Department of Higher Education will work with institutions of higher education to ensure that federal requirements are met and federal funding is not jeopardized by participation in the grant program. The fiscal note assumes that this will not require new appropriations.

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 in the DPHE 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)	\$12,271	\$12,271
Supplemental Employee Retirement Payments	9,108	10,166
Indirect Costs	33,095	32,761
TOTAL	\$54,474	\$55,198

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

Effective Date

The bill was signed into law by the Governor on May 22, 2014, and became effective on July 1, 2014.

State and Local Government Contacts

Public Health and Environment

Law

Higher Education