

**STATE and LOCAL  
FISCAL IMPACT**

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

**Date:** February 18, 2014  
**Bill Status:** House Health, Insurance, & Environment  
**Fiscal Analyst:** Clare Pramuk (303-866-2677)

**SHORT TITLE:** MARIJUANA DIVERSION PREVENTION GRANT PROGRAM

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
<b>State Revenue</b>		
<b>State Expenditures</b>	<b><u>\$1,000,000</u></b>	<b><u>\$1,000,000</u></b>
Cash Funds	992,745	994,956
Centrally Appropriated Costs**	7,255	5,044
<b>FTE Position Change</b>	0.8 FTE	0.5 FTE
<b>Appropriation Required:</b> \$1,000,000 - Dept. of Personnel and Administration (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**

This bill creates the Marijuana Diversion Grant Program (grant program) to be administered by the State Controller in the Department of Personnel and Administration. The General Assembly is authorized to appropriate funds in the Marijuana Cash Fund to the grant program when the fund has a surplus. The appropriation for the grant fund is limited to \$1.0 million in FY 2014-15 and FY 2015-16. The grant program will provide grants to the Colorado State Patrol (CSP) and other state law enforcement agencies in states that share a border with Colorado 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 state controller;
- the executive director of the Department of Public Safety, 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 controller 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.

<b>Table 1. Expenditures Under HB 14-1209</b>		
<b>Cost Components</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
Personal Services	\$38,508	\$25,673
FTE	0.8	0.5
Operating Expenses and Capital Outlay Costs	5,416	475
Marijuana Diversion Prevention Grants	up to 948,821	up to 968,808
Centrally Appropriated Costs*	7,255	5,044
<b>TOTAL</b>	<b>\$1,000,000</b>	<b>\$1,000,000</b>

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

**Department of Personnel and Administration, Office of the State Controller.** As administrator of the grant program, the Controller's office 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 Controller's office will disburse and track grant funding and monitor grant implementation. This is expected to require 0.8 FTE in FY 2014-15 to develop and implement the grant program, and 0.5 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 \$1.0 million total expenditure limit for the first two years of the program.

**Department of Public Safety, 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.

**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.

<b>Table 2. Centrally Appropriated Costs Under HB 14-1209*</b>		
<b>Cost Components</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$4,581	\$3,054
Supplemental Employee Retirement Payments	2,674	1,990
<b>TOTAL</b>	<b>\$7,255</b>	<b>\$5,044</b>

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

### **Local Government Impact**

If the CSP develops and is awarded a grant that provides funding to local law enforcement, local governments will see an increase in revenue. Because it is not known what types of grants will be requested, or even if grants will be awarded in Colorado, the amount of increase cannot be estimated.

### **Effective Date**

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

### **State Appropriations**

For FY 2014-15, the Department of Personnel and Administration requires an appropriation of \$1,000,000 and 0.8 FTE from the Marijuana Cash Fund.

### **State and Local Government Contacts**

Personnel and Administration  
Law  
Chiefs of Police

Revenue  
Public Safety  
Sheriffs