HB15-1090

Colorado Legislative Council Staff Fiscal Note

FINAL FISCAL NOTE

Drafting Number: LLS 15-0150
Prime Sponsor(s): Rep. Dore
Date: June 25, 2015
Bill Status: Postponed Indefinitely
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BILL TOPIC: COUNTY RETAIL MARIJUANA IMPACTS GRANT PROGRAM

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue	**$0**	**$0**
State Transfers		
Cash Funds	($14,370,000)	($14,370,000)
Cash Funds	$14,370,000	$14,370,000
State Expenditures	**$14,394,378**	**$14,401,792**
Cash Funds	14,370,000	14,370,000
Centrally Appropriated Costs**	39,080	44,073
FTE Position Change	1.5 FTE	2.0 FTE
Appropriation Required: $14,370,000 - Department of Local Affairs (FY 2015-16)		

* *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

This bill creates the County Retail Marijuana Impact Grant Program in the Division of Local Government (division) in the Department of Local Affairs (DOLA). The grant program will provide assistance and resources to counties that are experiencing impacts to services or budgets as a result of the legalization of marijuana for retail sale. Counties that receive a grant may use the money for law enforcement, to develop and implement marijuana education and prevention campaigns and services, or to mitigate impacts on social services or other county-provided public services.

Any county is eligible to receive funding from the grant program, even those that have prohibited retail marijuana sales in their jurisdiction. The division must give priority to counties with less than 30,000 residents. The division must adopt rules for the program, which must include the format and time frames for submitting applications, the criteria for awarding grants, and the level of specification counties must include when reporting grant activities.

On June 30, 2015, and each June 30 thereafter, the State Treasurer is required to transfer 30 percent of the money in the Marijuana Tax Cash Fund to the newly created County Retail Marijuana Impact Cash fund (the fund). The fund is to include this annual transfer, any other money appropriated by the General Assembly, and any gifts, grants, or other private donations. Money in the fund is subject to annual appropriations.

No later than November 1, 2017, and each November 1 thereafter, the division is required to include an update on the program's effectiveness during the annual SMART hearings before the legislature.

Background

The Marijuana Tax Cash Fund (MTCF) was created by Senate Bill 14-215 to receive tax revenue from the following sources:

- the 10 percent special state sales tax on retail marijuana sales, less 15 percent of this revenue which is transferred back to local governments; and
- the 2.9 percent state sales tax on both retail and medical marijuana; and
- any excise tax revenue on wholesale marijuana in excess of $40 million per year.

Funds in the MTCF cannot be appropriated for the fiscal year in which they are received by the state except the appropriation to the Department of Revenue (DOR) for the direct and indirect costs of regulating medical and retail marijuana. Any money not appropriated to the DOR may be appropriated by the General Assembly based on the most recent estimate of revenue prepared by the staff of the Legislative Council or the DOR. For FY 2014-15, projected revenue to the MCTF will be about $47.9 million. This amount will be updated following the Legislative Council March revenue forecast.

For most programs, funds in the MTCF must be appropriated in the following fiscal year after the funds are received by the state, except that marijuana enforcement costs in the DOR may be paid with funds in the year they are received. Beginning in FY 2015-16, appropriations from the MCTF are limited to 93.5 percent of funds available from the prior year.

State Revenue

This bill permits the DOLA to accept gifts, grants, and other donations to the grant program fund. No source of private donations has been identified at this time.

State transfers. Based on the current revenue projection of $47.9 million to the MCTF in FY 2014-15, this bill will transfer $14.4 million (30 percent) of the fund balance on June 30, 2015, to the County Retail Marijuana Impact Cash fund.

State Expenditures

This bill will increase state expenditures by $14.4 million and 1.5 FTE in FY 2015-16 and by $14.4 million and 2.0 FTE in FY 2016-17. New expenditures are for program administration and to provide grants to counties. Total expenditures are displayed in Table 1 and described below.

Table 1. Expenditures Under HB 15-1090		
Cost Components	**FY 2015-16**	**FY 2016-17**
Personal Services	$81,618	$113,517
FTE	1.5 FTE	2.0 FTE
Operating Expenses and Capital Outlay Costs	8,480	1,900
Printing, Outreach, & Travel	3,750	3,750
Legal Services	4,726	4,726
Information Technology	28,500	17,100
Subtotal Administration	***127,073***	***140,993***
County Impact Grants	14,242,927	14,229,007
Subtotal Direct Costs	***14,370,000***	***14,370,000***
Centrally Appropriated Costs*	39,080	44,073
TOTAL	***$14,394,378***	***$14,401,792***

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

County impact grants. Grants to counties will comprise the largest cost component of the bill. For FY 2015-16, approximately $14.1 million is available to make grants to affected counties.

Program administration. The DOLA will have administrative costs totaling $120,073 and 1.5 FTE in FY 2015-16 and $140,993 and 2.0 FTE in FY 2016-17. These costs are for new staff to implement the grant program, coordinate rule making and review, create an application procedure, establish evaluative criteria, review and evaluate grant applications, award grants, track grant recipients, ensure accountability and prepare annual reports for the General Assembly. Other administrative costs include providing technical assistance to grant applicants, publication and outreach to market the program, and staff travel. DOLA will also receive 50 hours of legal services annually from the Department of Law (DOL) for rule making and for ongoing rule review. The DOL charges a blended rate of $94.51 per hour.

Information technology. In addition to ongoing program staff, the DOLA will have one-time information technology costs to create a grant management database and for necessary web support. The DOLA will require about 250 hours of information technology services in FY 2015-16, provided by the Office of Information Technology (OIT) at a variable rate of $93 to $114 per hour. OIT services will be approximately 150 hours in 2016-17.

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 subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under HB 15-1090*		
Cost Components	**FY 2015-16**	**FY 2016-17**
Employee Insurance (Health, Life, Dental, and Short-term Disability)	$21,693	$24,104
Supplemental Employee Retirement Payments	11,387	13,969
Leased Space	6,000	6,000
TOTAL	**$39,080**	**$44,073**

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

Local Government Impact

The new grant program will allow all 64 counties to apply for competitive grants from an anticipated $14 million in funding. The bill gives first preference in grants to counties with populations of less than 30,000. Of the 64 counties, 46 have a population of 30,000 or less; of this number, 30 counties have banned or placed a moratorium on marijuana cultivation, testing, sale consumption and regulation of retail marijuana and retail marijuana products. The bill permits these 30 counties to have access to grant funds as well.

Technical or Mechanical Defects

Although the bill does not identify the source of administrative funding for DOLA, this fiscal note assumes that the direct costs for implementation and administration will be part of the appropriation from the County Retail Marijuana Impact Grant Fund. Centrally appropriated costs are not included in this calculation and will be appropriated in the Long Bill or in a supplemental appropriations bill at a latter date, presumably from the same cash fund.

Effective Date

The bill was postponed indefinitely by the House Local Government Committee on February 5, 2015.

State Appropriations

For FY 2015-16, this bill would have required an appropriation of $14,370,000 from the County Retail Marijuana Impact Grants cash fund and 1.5 FTE to the Department of Local Affairs.

Of this amount, the Department of Law would have required $4,726 in reappropriated funds and the Office of Information Technology would have required $28,500 in reappropriated funds.

State and Local Contacts

Counties/Municipalities	Education	Governor's Office
Health Care Policy Financing	Human Services	Law
Local Affairs	Information Technology	Public Health
Public Safety	Revenue	Sheriff's