



**Colorado
Legislative
Council
Staff**

HB17-1082

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 17-0461
Prime Sponsor(s): Rep. Pabon

Date: February 3, 2017
Bill Status: House Education
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BILL TOPIC: BEST ACT TECHNOLOGY GRANT FUNDING

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue Permanent Fund	Potential decrease in interest earnings.	
State Transfers Permanent Fund Public School Capital Construction Assistance Fund	(up to \$5 million) up to \$5 million	(up to \$5 million) up to \$5 million
State Expenditures Public School Capital Construction Assistance Fund	up to \$5 million	up to \$5 million
Appropriation Required: None.		
Future Year Impacts: Ongoing decrease in interest earnings on Permanent Fund. Ongoing expenditures and workload increases.		

Summary of Legislation

The bill increases the distribution of an excise tax on retail marijuana to the Public School Capital Construction Assistance Fund (assistance fund) from the first \$40 million to the first \$45 million collected annually. The assistance fund is used to support grants to public schools under the Building Excellent Schools Today (BEST) program. The bill directs the additional distribution to the assistance fund to a newly created Technology Grant Account to pay for technology grants. The bill also expands the definition of capital construction under the BEST program to include technology. Finally, the bill directs the Public School Capital Construction Assistance Board (assistance board) to take into consideration the extent to which retail marijuana excise tax is collected from each county in the state when it prioritizes applications for grant funding under the BEST program.

Background

Excise tax on retail marijuana. Retail marijuana is subject to a 15 percent excise tax levied on the first transfer of marijuana from a wholesaler to a processor or retailer. When voters approved retail marijuana legalization, they dedicated the first \$40 million in excise tax revenue to school construction in the state constitution. Any excise tax revenue that exceeds \$40 million each

year is deposited in the Public School Fund (Permanent Fund). The Permanent Fund is inviolate and only interest and income earned on investments made from the fund may be expended. Income from the Permanent Fund is used to support preK-12 education through the School Finance Act.

BEST program. The BEST program was established in 2008 to provide grants to rebuild, repair, or replace the worst of the state's preK-12 facilities. The assistance board annually prioritizes a list of projects recommended for funding under the program to the State Board of Education. The assistance board currently takes into consideration an ongoing financial assistance priority assessment when it prioritizes projects. The projects are prioritized based on the following criteria: (1) addresses potential safety hazards or health concerns; (2) relieves overcrowding; and (3) incorporates technology into the educational environment.

Funding for the BEST program accrues from the following sources:

- the greater of 50 percent of the moneys earned each year from state public school lands in the form of income and mineral royalties, excluding interest and investment income, or \$40 million;
- lottery proceeds that would otherwise be transferred to the General Fund;
- the first \$40 million collected annually from an excise tax on retail marijuana;
- a one-time \$40 million transfer authorized by the voters through Proposition BB to retain revenue from taxes on retail marijuana in FY 2014-15; and
- interest and investment income.

State Revenue

The bill decreases state revenue to the extent that it decreases the amount of retail marijuana excise tax deposited to the Permanent Fund, thus reducing the fund balance and the amount of earnings from interest and investments on the fund.

State Transfers and Diversions

Beginning in FY 2017-18, the bill diverts up to \$5 million from the Permanent Fund to the assistance fund on behalf of the BEST Program. The transfer is subject to availability. Table 1 shows the projected revenue from the excise tax on retail marijuana from FY 2016-17 through FY 2018-19. It also illustrates the distribution to the assistance fund and the Permanent Fund under current law and under House Bill 17-1082.

Table 1: Tax Revenue Forecast for 15 percent Excise Tax on Retail Marijuana <i>Dollars in Millions</i>					
Fiscal Year	Projected Revenue	Distribution Under Current Law		Distribution Under HB 17-1082	
		Assistance Fund	Permanent Fund	Assistance Fund	Permanent Fund
FY 2016-17*	\$57.8	\$40.0	\$17.8	\$40.0	\$17.8
FY 2017-18	\$66.6	\$40.0	\$26.6	\$45.0	\$21.6
FY 2018-19	\$73.9	\$40.0	\$33.9	\$45.0	\$28.9
Totals	\$198.3	\$120.0	\$78.3	\$130.0	\$68.3

Source: Legislative Council Staff
*No change shown in current year.

State Expenditures

The bill increases state expenditures by up to \$5 million a year for the BEST grant program. The bill also creates an increase in workload within the Colorado Department of Education to revise the BEST capital construction guidelines to include technology, to modify the grant application process to incorporate technology grants, and to obtain information and provide guidance to the assistance board about the amount of marijuana excise tax collected by counties. The workload increase can be accomplished within existing appropriations. The department estimates the workload increase at 0.15 FTE in the first year and 0.03 FTE in the second year and beyond.

School District Impact

This bill increases BEST grant funding to public schools. This increase may be directed to schools in counties where an excise tax on retail marijuana is collected. How the increase in grant funding is distributed is contingent upon how the assistance board prioritizes future grant submissions based on the changes made under the bill.

Effective Date

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

State and Local Government Contacts

Counties
Natural Resources

Education
Revenue

Information Technology