



**Colorado
Legislative
Council
Staff**

SB17-082

FISCAL NOTE

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

Drafting Number: LLS 17-0573
Prime Sponsor(s): Sen. Lambert
Rep. Lundeen

Date: April 10, 2017
Bill Status: Senate Health & Human Services
Fiscal Analyst: Bill Zepernick (303-866-4777)

BILL TOPIC: REGULATION OF METHADONE TREATMENT FACILITIES

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	<u>\$63,000</u>	<u>\$60,200</u>
Cash Funds	63,000	60,200
State Expenditures	<u>\$146,032</u>	<u>\$49,403</u>
General Fund	73,839	0
Cash Funds	63,000	34,027
Centrally Appropriated Costs	9,193	15,376
TABOR Impact	\$63,000	\$60,200
FTE Position Change	0.7 FTE	0.5 FTE
Appropriation Required: \$136,839 - Department of Public Health and Environment (FY 2017-18).		
Future Year Impacts: Ongoing state revenue and expenditure increase.		

Summary of Legislation

The bill transfers regulation of methadone treatment facilities from the Department of Human Services (DHS) to the Department of Public Health and Environment (CDPHE). It also establishes several new requirements for methadone treatment facilities operating in the state. Specifically, methadone treatment facilities approved on or after January 1, 2018, must be located more than 1,000 feet from a school, university, seminary, residential child care facility, or public park. The bill specifies that the establishment of methadone clinics is a matter of statewide concern. Municipalities cannot consider a methadone treatment facility as a medical clinic for zoning purposes unless approval is given by the governing body of the municipality.

In addition, methadone clinics are required to report to the CDPHE any infractions in this state or another state by the owner of the facility, its holding company, or any other entity within the same holding company. Infractions that must be reported include, but are not limited to, those involving excessive caseload, inadequate treatment plans, or the failure to fully account for all controlled substances. Disclosure of infractions must be made for the preceding three years when submitting an initial or renewal application for licensure. New infractions must be disclosed within 30 days of being discovered.

For clinics seeking an initial or renewal license, the CDPHE must deny the application if there are any infractions disclosed, unless approving the clinic would be in the public interest due to lack of capacity at other facilities in the area. For new infractions, the CDPHE must investigate to determine whether the public interest requires suspending, revoking, limiting, or restricting the prior license approval. Prior to determining which action to take regarding new infractions or infractions during the license application process, the CDPHE must hold a public hearing to solicit input.

Background

Methadone is an opioid medication that is used as part of drug addiction detoxification and maintenance programs to reduce withdrawal symptoms in people addicted to heroin or other narcotic drugs. Methadone treatment facilities are currently licensed as a substance abuse treatment facility by the Department of Human Services. Currently, there are 14 methadone clinics in the state. There have been an average of four infractions per year over the last three years involving methadone treatment facilities in Colorado for the infractions listed in the bill. However, data are not available on infractions committed by associated entities in other states.

Assumptions

The fiscal note assumes that methadone treatment facilities currently licensed by the DHS will be required to get a new license with the CDPHE and comply with the requirements of the bill starting January 1, 2018. It is assumed that all 14 existing clinics will continue to operate.

State Revenue

The bill increases cash fund revenue by **\$63,000 in FY 2017-18 and by \$60,200 in FY 2018-19**. This revenue change includes new license revenue to the CDPHE received each year and a decrease in license revenue to the DHS that is currently received every two years. These fee impacts are described below.

Fee impact on methadone treatment facilities. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. Based on the projected costs in the CDPHE, methadone clinics will pay a fee of \$4,500 per year to obtain or renew a license. This fee amount is an estimate only, the actual fee amount will be set administratively by the CDPHE based on cash fund balance, program costs, and the actual number of clinics subject to the fee. The current \$200 per clinic fee charged by the DHS will be eliminated starting in FY 2018-19, based on the current renewal cycle. Table 1 below identifies the fee impact of this bill. Fee revenue may be lower or fees higher if some methadone clinics choose not to seek licensure due to the fee increase or if they are not able to meet the new licensing qualifications.

Table 1. Fee Impact on Methadone Treatment Facilities					
Type of Fee	Current Fee	Proposed Fee	Fee Change	Number Affected	Total Fee Impact
FY 2017-18					
Methadone Treatment Facility License (CDPHE)	\$0	\$4,500	\$4,500	14	\$63,000
FY 2017-18 Total					\$63,000
FY 2018-19					
Methadone Treatment Facility License (CDPHE)	0	\$4,500	\$4,500	14	\$63,000
Methadone Treatment Facility License (DHS)	\$200	\$0	(\$200)	14	(\$2,800)
FY 2018-19 Total					\$60,200

TABOR Impact

This bill increases state cash fund revenue from fees, which will increase the amount of money required to be refunded under TABOR for FY 2017-18 and FY 2018-19. TABOR refunds are paid out of the General Fund. Since the bill increases the TABOR refund obligation without a corresponding change in General Fund revenue, the amount of money available in the General Fund for the budget will decrease by an identical amount.

State Expenditures

The bill increases costs in the CDPHE by **\$146,032 and 0.7 FTE in FY 2017-18 and by \$49,403 and 0.5 FTE in FY 2018-19** and future years. First-year costs are split between the General Licensure Cash Fund and General Fund, as cash fund revenue will not be sufficient to pay all of the start-up costs under the bill; future-year costs are from the cash fund only. The DHS will also have a decrease in workload after regulation of methadone clinics is transferred to the CDPHE. Costs under the bill are summarized in Table 2 and discussed below.

Table 2. Expenditures Under SB 17-082		
Cost Components	FY 2017-18	FY 2018-19
Personal Services	\$39,467	\$29,651
FTE	0.7 FTE	0.5 FTE
Operating Expenses and Capital Outlay Costs	7,368	2,475
Computer System Modifications	82,400	0
Legal Services	7,604	1,901
Centrally Appropriated Costs*	9,193	15,376
TOTAL	\$146,032	\$49,403

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

Personal services and operating expenses. The CDPHE will require 0.7 FTE in FY 2017-18 and 0.5 FTE in FY 2018-19 and future years to create the new regulatory program, process license applications for methadone facilities, receive reports and evaluate violations in Colorado and in other states, hold public meetings on violations, and inspect facilities. The personal services costs and standard operating and capital outlay costs for this staff are shown in Table 2 above. Operating expenses also includes \$2,000 per year for staff travel. First-year staffing costs are higher to reflect the required rulemaking and the processing of initial applications. Staff is assumed to start on July 1, 2017.

Computer system modifications. The CDPHE will have costs of \$82,400 in FY 2017-18 only to make modifications to its licensing data system to accommodate the new license type and required data that must be collected on facilities. This work will be conducted by the Office of Information Technology using reappropriated funds.

Legal services. The CDPHE will have require 80 hours of legal services from the Department of Law in FY 2017-18 and 20 hours per year in FY 2018-19 and future years, resulting in costs of \$7,604 and \$1,901 per year, respectively. In the first year, legal services are associated with rulemaking, as well as handling disputes about methadone clinic placement and adjudication of reported violations in Colorado and other states.

Department of Human Services workload. The DHS will have a reduction in workload once regulation of methadone clinics is transferred to the CDPHE. There are currently 2.0 FTE who are responsible for licensing issues concerning controlled substances generally, of which the licensing of methadone clinics is one of several areas of responsibility. These staff will have reduced workload, but the fiscal note assumes that no reduction in staffing is required given the other duties assigned to these staff. The costs in the CDPHE are primarily associated with the new duties under the bill, rather than the transfer of existing duties from the DHS.

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 3.

Table 3. Centrally Appropriated Costs Under SB 17-082		
Cost Components	FY 2017-18	FY 2018-19
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$5,656	\$4,042
Supplemental Employee Retirement Payments	3,537	2,657
Indirect Costs	0	8,677
TOTAL	\$9,193	\$15,376

Local Government Impact

The bill reduces the authority of municipalities to zone methadone treatment facilities as medical facilities. Municipalities wishing to zone methadone treatment facilities in such a manner must have the matter considered by the governing body of the municipality. This additional process may increase workload for municipal staff by a minimal amount.

Technical Note

The bill does not explicitly give the CDPHE the authority to collect fees for the regulation of methadone treatment facilities. Fee setting authority is assumed based on the CDPHE's ability to set fees in its overall licensing authority for medical facilities.

Effective Date

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

State Appropriations

The bill requires an appropriation of \$136,839 to the CDPHE, of which \$73,839 is General Fund and \$63,000 is from the General Licensure Cash Fund. The CDPHE also requires an allocation of 0.7 FTE.

From the appropriation above, the Office of Information Technology requires a reappropriation of \$82,400 and the Department of Law requires a reappropriation of \$7,604.

Departmental Difference

The CDPHE estimates the cost of the bill as **\$223,349 and 1.1 FTE in FY 2017-18 and \$81,228 and 0.8 FTE in FY 2018-19**. The fiscal note does not include these full costs for several reasons. First, the CDPHE estimate for computer system changes was reduced given the limited scope of licensure and required data collection. In addition, the fiscal note includes lower staffing levels given the small number of methadone treatment facilities to be licensed.

State and Local Government Contacts

Counties
Law
Personnel

Human Services
Municipalities

Information Technology
Public Health and Environment