

Schedule 13

Funding Request for the FY 2017-18 Budget Cycle

Department of Regulatory Agencies

Request Title

NP-01 Annual Fleet Vehicle Request

Dept. Approval By: [Signature] 10/24 Supplemental FY 2016-17
 Change Request FY 2017-18
 OSPB Approval By: [Signature] 10/25/16 Budget Amendment FY 2017-18

Summary Information	Fund	FY 2016-17		FY 2017-18		FY 2018-19
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$236,812	\$0	\$236,812	(\$63,792)	\$0
FTE		0.0	0.0	0.0	0.0	0.0
GF		\$0	\$0	\$0	\$0	\$0
CF		\$236,812	\$0	\$236,812	(\$63,792)	\$0
RF		\$0	\$0	\$0	\$0	\$0
FF		\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2016-17		FY 2017-18		FY 2018-19
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$236,812	\$0	\$236,812	(\$63,792)	\$0
FTE		0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office and Administrative Services - Vehicle Lease Payments	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$236,812	\$0	\$236,812	(\$63,792)	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

CF Letternote Text Revision Required?	Yes <input type="checkbox"/> No <input type="checkbox"/>	If Yes, see attached fund source detail.
RF Letternote Text Revision Required?	Yes <input type="checkbox"/> No <input type="checkbox"/>	
FF Letternote Text Revision Required?	Yes <input type="checkbox"/> No <input type="checkbox"/>	
Requires Legislation?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Type of Request?	Department of Regulatory Agencies Non-Prioritized Request	
Interagency Approval or Related Schedule	Department of Personnel and Administration	

Schedule 13

Funding Request for the FY 2017-18 Budget Cycle

Department of Regulatory Agencies

Request Title

NP-02 Resources for Administrative Courts

Dept. Approval By: *[Signature]* 10/24

Supplemental FY 2016-17

Change Request FY 2017-18

OSPB Approval By: *[Signature]* 10/25/16

Budget Amendment FY 2017-18

Summary Information	Fund	FY 2016-17		FY 2017-18	FY 2018-19	
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$201,827	\$0	\$244,037	\$2,301	\$0
FTE		0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$9,119	\$0	\$11,037	\$104	\$0
	CF	\$192,708	\$0	\$233,000	\$2,197	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2016-17		FY 2017-18	FY 2018-19	
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$201,827	\$0	\$244,037	\$2,301	\$0
FTE		0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office and Administrative Services -	GF	\$9,119	\$0	\$11,037	\$104	\$0
Administrative Law Judge Services	CF	\$192,708	\$0	\$233,000	\$2,197	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

CF Letternote Text Revision Required?	Yes <input type="checkbox"/> No <input type="checkbox"/>	If Yes, see attached fund source detail.
RF Letternote Text Revision Required?	Yes <input type="checkbox"/> No <input type="checkbox"/>	
FF Letternote Text Revision Required?	Yes <input type="checkbox"/> No <input type="checkbox"/>	
Requires Legislation?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Type of Request?	Department of Regulatory Agencies Non-Prioritized Request	
Interagency Approval or Related Schedule	Department of Personnel and Administration	

Schedule 13

Funding Request for the FY 2017-18 Budget Cycle

Department of Regulatory Agencies

Request Title

NP-03 Secure Colorado

Dept. Approval By: *J* 10/24

Supplemental FY 2016-17

Change Request FY 2017-18

OSPB Approval By: *Erin M. Roberts* 10/25/16

Budget Amendment FY 2017-18

Summary Information	Fund	FY 2016-17		FY 2017-18		FY 2018-19
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$2,628,736	\$0	\$3,192,103	\$60,366	\$103,196
FTE		0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$104,155	\$0	\$126,802	\$2,427	\$4,148
	CF	\$2,524,581	\$0	\$3,065,301	\$57,939	\$99,048
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2016-17		FY 2017-18		FY 2018-19
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$2,628,736	\$0	\$3,192,103	\$60,366	\$103,196
FTE		0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office and Administrative Services - Payments to OIT	GF	\$104,155	\$0	\$126,802	\$2,427	\$4,148
	CF	\$2,524,581	\$0	\$3,065,301	\$57,939	\$99,048
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

CF Letternote Text Revision Required?	Yes <input type="checkbox"/> No <input type="checkbox"/>	If Yes, see attached fund source detail.
RF Letternote Text Revision Required?	Yes <input type="checkbox"/> No <input type="checkbox"/>	
FF Letternote Text Revision Required?	Yes <input type="checkbox"/> No <input type="checkbox"/>	
Requires Legislation?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Type of Request?	Department of Regulatory Agencies Non-Prioritized Request	
Interagency Approval or Related Schedule	Office of Information Technology	

Schedule 13

Funding Request for the FY 2017-18 Budget Cycle

Department of Regulatory Agencies

Request Title

NP-04 Deskside

Dept. Approval By: *[Signature]* 10/24

Supplemental FY 2016-17

Change Request FY 2017-18

OSPB Approval By: *[Signature]* 10/25/16

Budget Amendment FY 2017-18

Summary Information	Fund	FY 2016-17		FY 2017-18		FY 2018-19
		Initial Appropriation	Supplements Request	Base Request	Change Request	Continuation
	Total	\$2,628,736	\$0	\$3,192,103	\$24,141	\$25,238
	FTE	0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$104,155	\$0	\$126,802	\$970	\$1,015
	CF	\$2,524,581	\$0	\$3,065,301	\$23,171	\$24,223
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2016-17		FY 2017-18		FY 2018-19
		Initial Appropriation	Supplements Request	Base Request	Change Request	Continuation
	Total	\$2,628,736	\$0	\$3,192,103	\$24,141	\$25,238
	FTE	0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office and Administrative Services - Payments to OIT	GF	\$104,155	\$0	\$126,802	\$970	\$1,015
	CF	\$2,524,581	\$0	\$3,065,301	\$23,171	\$24,223
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

CF Letternote Text Revision Required	Yes <input type="checkbox"/>	No <input type="checkbox"/>	If Yes, see attached fund source detail.
RF Letternote Text Revision Required	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
FF Letternote Text Revision Required	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
Requires Legislation?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	
Type of Request?	Department of Regulatory Agencies Non-Prioritized Request		
Interagency Approval or Related Schedule	Office of Information Technology		

Schedule 13

Funding Request for the FY 2017-18 Budget Cycle

Department of Regulatory Agencies

Request Title

R-01 Reorganization-Related Savings Request

Dept. Approval By: *[Signature]* 10/24

Supplemental FY 2016-17

Change Request FY 2017-18

OSPB Approval By: *[Signature]* 10/25/16

Budget Amendment FY 2017-18

Summary Information	Fund	FY 2016-17		FY 2017-18	FY 2018-19	
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total						
		\$10,106,018	\$0	\$10,119,035	(\$80,000)	(\$80,000)
Total of All Line Items Impacted by Change Request						
	FTE	123.2	0.0	123.2	0.0	0.0
	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$10,106,018	\$0	\$10,119,035	(\$80,000)	(\$80,000)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2016-17		FY 2017-18	FY 2018-19	
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total						
		\$3,816,881	\$0	\$3,816,881	(\$50,000)	(\$50,000)
02. Division of Banking - Personal Services						
	FTE	40.0	0.0	40.0	0.0	0.0
	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$3,816,881	\$0	\$3,816,881	(\$50,000)	(\$50,000)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
Total						
		\$6,289,137	\$0	\$6,302,154	(\$30,000)	(\$30,000)
06. Division of Insurance - Personal Services						
	FTE	83.2	0.0	83.2	0.0	0.0
	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$6,289,137	\$0	\$6,302,154	(\$30,000)	(\$30,000)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

CF Letternote Text Revision Required? Yes <input type="checkbox"/> No <input type="checkbox"/>	If Yes, see attached fund source detail.
RF Letternote Text Revision Required? Yes <input type="checkbox"/> No <input type="checkbox"/>	
FF Letternote Text Revision Required? Yes <input type="checkbox"/> No <input type="checkbox"/>	

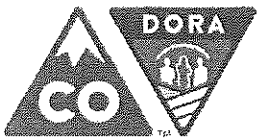
Requires Legislation?

Yes No

Type of Request?

Department of Regulatory Agencies Prioritized Request

Interagency Approval or Related Schedule None



COLORADO

Department of
Regulatory Agencies

Priority: R-01
Reorganization-Related Savings Request
FY 2017-18 Change Request

Cost and FTE

- The Division of Banking (DOB) and Division of Insurance (DOI) at the Department of Regulatory Agencies propose to reduce FY 2017-18 Personal Services appropriations in the amount of \$80,000 Cash Funds – \$50,000 and \$30,000, respectively. These ongoing reductions, which constitute less than 1% of appropriations, are intended to modestly capture some savings associated with streamlining and re-organization initiatives underway in these Divisions.

Current Program

- The Division of Banking Personal Services line (\$3.8 million) supports an appropriated staff of 40.0 FTE. The Division is responsible for protecting consumers by regulating the business of state-chartered commercial banks and trust companies, state-licensed money transmitters, and enforcing the Public Deposit Protection Act. Staff conduct examinations of state-chartered institutions and licensees, and work closely with the Federal Reserve Bank and the Federal Deposit Insurance Corporation in the regulation of commercial banks and certain federally insured trust companies.
- The Division of Insurance Personal Services line (\$6.3 million) supports an appropriated staff of 83.2 FTE. The Division is responsible for protecting consumers by regulating the insurance industry in Colorado, including state licensure of insurance agents and companies. Staff investigate consumer complaints, receive and review rate and form filings, and conduct market conduct examinations of insurance institutions.

Problem or Opportunity

- Two specific initiatives to re-organize and streamline staffing have occurred within the Department, as follows:
- *Division of Banking.* Since July 2015 the Division has sought to reorganize in a way that streamlined operations and consolidated functions in order to leverage resources to devote to examiner positions at all levels, enhancing the Division's ability to protect consumers into the future in terms of both succession and cross training purposes. Having concluded its efforts the Division is poised to maintain a staff with a healthy and dynamic range of experience and seniority, which will serve to protect consumers into the future.
- *Division of Insurance.* In May 2015 the Division embarked on a "OneDOI" initiative which sought to comprehensively assess organizational effectiveness, re-design processes, and align resources in order to deliver customer value and ensure goal-setting, accountability, and continuous improvement. This process has afforded specific and distinct improvements that will serve the organization well into the future.
- As a result of these initiatives, both Divisions can proudly report that although outright savings was not the goal of these important efforts, opportunity nevertheless exists to offer modest savings associated with respective improvements.

Consequences of Problem

- Ongoing streamlining and re-organization initiatives have positioned the Department to return modest appropriation amounts in the personal services line items of both Divisions, in a way that does not negatively affect consumer protection.

Proposed Solution

- The Department proposes a permanent reduction of \$80,000 Cash Funds in its personal services appropriations for the Division of Banking (\$50,000) and the Division of Insurance (\$30,000).



COLORADO
 Department of Regulatory Agencies

John W. Hickenlooper
 Governor

Joe Neguse
 Executive Director

FY 2017-18 Funding Request | November 1, 2016

Department Priority: R-01
Request Detail: Reorganization-Related Savings Request

Summary of Incremental Funding Change for FY 2017-18	Total Funds	General Fund
Reorganization-Related Savings Request	(\$80,000)	\$0

Problem or Opportunity:

The Division of Banking (DOB) and Division of Insurance (DOI) at the Department of Regulatory Agencies propose to reduce FY 2017-18 Personal Services appropriations in the amount of \$80,000 Cash Funds – \$50,000 for DOB, and \$30,000 for DOI. Due to recent initiatives aimed at reorganizing and streamlining functions in these two divisions, opportunity exists to realize modest appropriations reductions while not adversely impacting service delivery. Although it is important to acknowledge these efforts were not designed to produce or realize appropriations savings, long-term staffing needs and associated costs have been identified, and this affords both entities an opportunity to evaluate appropriations needs and offer modest savings associated with expected long-term staffing patterns.

The following narrative provides brief background on the function of these respective divisions, the services they provide, and the specific efforts undertaken:

Division of Banking	Division of Insurance
<p><u>Statutory Role</u> The Division of Banking (\$4.6 million Cash Funds and 40.0 appropriated FTE) is responsible for protecting consumer deposits via the regulation of state-chartered commercial banks, trust companies, industrial banks, money order companies, money transmitters, and foreign capital depositories.</p> <p><u>Activities and Measurable Workload</u> Activities carried out by the Division include holding charter and license application hearings, issuing rules and regulations, and investigation of consumer complaints involving regulated institutions. Division staff conducts between 100-200 annual examinations of approximately 150 state-chartered institutions and licensees. The ability of the Division to advance the mission of consumer protection and maintain public confidence in Colorado financial institutions is largely carried out via an efficient and effective examination staff, all of whom must travel for days at a time to examine individual institution records in-depth.</p>	<p><u>Statutory Role</u> The Division of Insurance (\$7.9 million and 85.2 appropriated FTE) is responsible for regulating the insurance industry in Colorado, including licensure of insurance agents and companies. The Division educates consumers on matters of insurance fraud, reviews rates and premiums charged by insurance companies, and resolves consumer complaints.</p> <p><u>Activities and Measurable Workload</u> The Division licenses 150,000 insurance producers and companies, conducts investigations into approximately 5,000 annual consumer complaints, receives and reviews 20,000 rate and form filings annually, and conducts market conduct examinations of institutions writing insurance coverage in Colorado located both inside and outside the State. The Division also audits and collects approximately \$260 million in annual insurance premium taxes for remittance to the General Fund, which is an important source of State General Fund revenue each year.</p>

Division of Banking	Division of Insurance
<p><u>Funding Source</u> The Division is funded via statutory fees and assessments, primarily institutional assessments charged to state-chartered financial institutions based on asset size. A graduated assessment scale exists in statute for Colorado banks and trust companies.</p>	<p><u>Funding Source</u> The Division is supported primarily via fees and assessments charged to insurance producers and insurance companies. However, the Division is also supported in part by premium tax revenues that would otherwise be credited to the General Fund.</p>

Reorganization Initiatives and Timeline. In the case of the Division of Banking, new leadership within the Division (beginning July 2015) created an opportunity to examine workflow with a new perspective informed by prior experience on the part of senior staff. In the case of the Division of Insurance, a formal effort at business process reengineering was launched (beginning May 2015) under the leadership of a veteran Commissioner. In both cases, significant effort was expended in taking a thoughtful approach to how operations could be streamlined, consolidated, or improved.

- Division of Banking. New leadership within the Division beginning July 2015 created an opportunity to examine ways to improve workflow and bolster the skill set of examiners. In doing so with a fresh perspective informed by prior leadership of the regulation of credit unions and savings & loans, the Banking Commissioner sought to focus on simple and achievable improvements in order to leverage examiner resources at all levels. The goal was to enhance the Division’s ability to protect consumers into the future (in terms of both succession and cross training purposes) without having to request increased resources. With comparative salaries at federal oversight entities continually presenting risk of staff turnover, continued consumer protection of State bank deposits depends just as much on staff training as it does on retaining seasoned examiners.
- Division of Insurance. In May 2015, the Division embarked on a “One-DOI” initiative which sought to comprehensively assess organizational effectiveness, re-design processes, and ultimately align resources in order to deliver customer value and ensure goal-setting, accountability, and continuous improvement. Using a phased approach, the Division met with all Division personnel in small work groups to share the following aspirational objectives, that: 1) Processes are centered around customer value rather than historical conventions; 2) Leaders and teams have clear goals and accountabilities that can be measured and improved; 3) Staff members function in positions that make the most of their skills; 4) Workloads are distributed in a manner that is equitable to staff and beneficial to customers; 5) Staff members are empowered to gain expertise and work across insurance lines and functions.

Although the approaches were different, both processes afforded specific and distinct improvements that will serve the organization well into the future. Results are summarized as follows:

Results. What has each Division done to operate differently?

The **Division of Banking** has accomplished the following:

1. **Consolidation of Applications Manager Position.** During the past several years, a full-time examiner position has been utilized to manage and evaluate incoming institutional applications for state charter as well as miscellaneous license applications for money transmitters and money order companies. Although this represented a full workload for the examiner (at the Financial/Credit

Examiner III level), it was not thought to be the best use of examiner resources considering an examiner at that level costs approximately \$95,000 annually (at mid-range salary). In order to free up the productivity of this examiner to focus on institutions, the Application Manager function was consolidated into a General Professional (Operations Manager) position. By absorbing this work into an existing high level administrative position, this is expected to have created 2,080 available examination hours annually.

2. **Consolidation of Training Supervisory Duties.** Training examiners of varying levels of experience is an important part of succession planning for dealing with turnover of experienced examiners, and in this way is a critical component of protecting consumers. Keeping an intact and qualified staff ensures the safety of consumer deposits, but the skill set of a fully functioning examiner requires unique expertise, and it often takes between 3-5 years of work experience for a junior examiner to become a fully proficient and seasoned examiner capable of handling the largest and most complex institutions. Whereas the Division previously managed training ad-hoc, via multiple senior examiners devoting time during bank examinations to train colleagues with less experience, the Division has consolidated training supervisory examiner duties into a single examiner position, and formalized this through the creation of a new and organized training program. Junior level examiners with less experience not only hone examination skills, but also develop specializations essential to the unit as a whole in order to adapt to trends in industry. For instance, this training program has already resulted in three examiners becoming newly certified as anti-money laundering specialists.

The **Division of Insurance** has accomplished the following:

1. **Business Group Realignment.** After analysis and evaluation, the Division elected to organize its existing fragmented groups into three groups with a Deputy Commissioner over each. This consolidation of organizational units has already achieved a number of benefits, including: allowed for a senior figure to focus on policy, customer outreach, and communications, which were previously under-resourced; gave senior leaders the span to cross-function more effectively, sharing resources to balance out spikes in demand; and, created roles attractive enough to attract “top-talent” leaders which is expected to serve the Division into the future.
2. **Redefined roles and ceased non-value-added tasks.** The Division has ceased activities that did not add value, and has reduced administrative burden by having three fewer manager roles but more working lead positions. This has a net positive affect on productivity, as more high level staff are able to produce in a measurable way.
3. **Developed new vision, mission, and values.** The Division has aligned its organization to the One-DOI ethic and communicated that protecting customers, promoting compliance, and enforcing laws are simultaneously achievable and not mutually exclusive. The Division has also allowed teams to assess their own behaviors vis-à-vis active values, which resulted in an improved culture.
4. **Executed 40 quick wins and three continuous improvement “deep dives”.** The Division utilized Lean principles to redesign core processes (involving processes such as customer complaints and feedback process, assignment of enforcement priorities, and rate review, to name a few), enabling teams to free-up resources for more valuable work

All told, this important effort afforded key lessons learned, including the responsibility to actively manage change, break down over-specialization (resulting in a heavier than required management structure), and

the need to engage within the context of state personnel rules such that improvements are fairly administered, lasting, and in keeping with any and all requirements within the state classified personnel system.

As mentioned previously, these initiatives were not originally intended to produce appropriations savings. Having said that, both Divisions have enough confidence in their efforts to examine the way they operate that modest appropriations savings should be offered in recognition that operations will be more efficient into the future.

Proposed Solution:

The Department proposes a permanent reduction of \$80,000 Cash Funds in its personal services appropriations for the Division of Banking (\$50,000) and the Division of Insurance (\$30,000). As noted in the calculations section, the amounts are simply the difference between expected funding needs and overall base continuation appropriations.

First it should be noted that these reduction amounts are intended to symbolize and capture the spirit of continuous improvement in operations. They are not intended to affect service delivery, workload, inputs, or outputs in any way. Rather, they are intended to reflect the Divisions’ ability to operate at full capacity with appropriation amounts that are nominally less than they would otherwise be.

Ultimately, fee payers benefit from any request that reduces cash fund appropriations, as changes to appropriations reduce the maximum spending that can occur in a given fiscal year, and thus, fees that must be charged to support expenditures. In the case of these two Divisions, fees include assessments to financial institutions and professional licensees, however it should also be noted that given the relative volume of the savings it is not possible to isolate a single, meaningful impact to a particular nominal fee. Further, appropriations reductions can also have slight benefit to the State overall in terms of forecasted cash fund appropriations, which now compete with General Fund obligations in the context of potential TABOR refund amounts.

Anticipated Outcomes:

Given that this is a savings request, the requested reduction in appropriations is the anticipated outcome. Service delivery will not be affected.

Assumptions and Calculations:

The Department proposes a permanent reduction of \$80,000 Cash Funds in its personal services appropriations for the Division of Banking (\$50,000) and the Division of Insurance (\$30,000). As noted in the following table, the amounts are simply the difference between expected funding needs and overall base continuation appropriations, as follows:

Division	FY 17-18 Continuation Personal Services Request	Expected Funding Need (approximate)	Difference	Percent
Division of Banking	\$3,816,881	\$3,766,881	(\$50,000)	-1.31%
Division of Insurance	\$6,289,137	\$6,259,137	(\$30,000)	-0.48%
Total	\$10,106,018	\$10,026,018	(\$80,000)	-0.79%

While the dollar amount and relative percentage is not more than 1% of the total appropriations, this level is in keeping with the goal of reorganization and Lean-inspired efforts which is to realize process improvements rather than outright dollar savings. Nevertheless, these amounts will not negatively impact service delivery as a result of the improvement efforts undertaken.

Schedule 13

Funding Request for the FY 2017-18 Budget Cycle

Department of Regulatory Agencies

Request Title

R-02 Reduce Leased Space Appropriation

Dept. Approval By: *[Signature]* 10/24

Supplemental FY 2016-17

Change Request FY 2017-18

OSPB Approval By: *[Signature]* 10/25/16

Budget Amendment FY 2017-18

Summary Information	Fund	FY 2016-17		FY 2017-18		FY 2018-19
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$788,208	\$0	\$3,235,631	(\$459,714)	\$0
FTE		0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$0	\$0	\$98,313	(\$98,313)	\$0
	CF	\$658,867	\$0	\$2,730,168	(\$361,401)	\$0
	RF	\$99,155	\$0	\$376,964	\$0	\$0
	FF	\$30,186	\$0	\$30,186	\$0	\$0

Line Item Information	Fund	FY 2016-17		FY 2017-18		FY 2018-19
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$788,208	\$0	\$3,235,631	(\$459,714)	\$0
FTE		0.0	0.0	0.0	0.0	0.0
01, Executive Director's Office and Administrative Services - Leased Space	GF	\$0	\$0	\$98,313	(\$98,313)	\$0
	CF	\$658,867	\$0	\$2,730,168	(\$361,401)	\$0
	RF	\$99,155	\$0	\$376,964	\$0	\$0
	FF	\$30,186	\$0	\$30,186	\$0	\$0

CF Letternote Text Revision Required	Yes <input type="checkbox"/> No <input type="checkbox"/>	If Yes, see attached fund source detail.
RF Letternote Text Revision Required	Yes <input type="checkbox"/> No <input type="checkbox"/>	
FF Letternote Text Revision Required	Yes <input type="checkbox"/> No <input type="checkbox"/>	
Requires Legislation?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Type of Request?	Department of Regulatory Agencies Prioritized Request	
Interagency Approval or Related Schedule	None	



COLORADO

Department of
Regulatory Agencies

Priority: R-02
Reduce Leased Space Appropriation
FY 2017-18 Change Request

Cost and FTE

- The Department proposes a reduction to its Leased Space request of \$459,714 total funds, including \$98,313 General Fund and \$361,401 Cash Funds, to capture an available rent credit related to the State's share of the commission paid on its lease. This is one-time for FY 2017-18 and represents a 14% reduction to the Leased Space line item.

Current Program

- The Department presently occupies a total of 165,764 square feet of space at 1560 Broadway in Denver to house operations of approximately 600 employees, over 300 board members, and 55 regulatory programs.
- The Department's FY 2016-17 decision item "R-01 Annualize Terms of New Department Lease Agreement" was approved by the General Assembly during the 2016 Legislative Session. After annualizing the request to remove the one-time savings from FY 2016-17, the FY 2017-18 request for the Leased Space line item is \$3,235,631 total funds including \$98,313 General Fund.

Problem or Opportunity

- The Department executed its new, 10-year lease agreement in July 2016. The budget impact of the new lease agreement was significantly less than expected in both the short and long term, owing to rent credits, graduated lease escalations, and up-front free rent.
- As a part of the master contract with its representation (Jones Lange LaSalle, or JLL), the Department was entitled to 30% of JLL's fee commission for the signed lease agreement. The State's share of the fee commission was \$497,292 and it must be used prior to December 31, 2017.
- In its FY 2016-17 decision item, the Department proposed committing \$37,578 of this amount as an additional rent credit in year 1 of the lease, enabling the Department to fully offset General Fund appropriations in the first year (adding this amount to an estimated \$59,459 in General Fund savings from the other abatement/credits in the lease). As a result, the General Fund appropriation for Leased Space during the first year of the new lease was eliminated.
- Although the Department mentioned at this time last year that it was considering utilizing the remaining commission funds for tenant improvements (in lieu of securing additional space), in light of the present budget environment ultimately the Department has determined that realizing budget savings with this vendor commission is the best use of those resources.
- With the remaining balance of this vendor commission (\$459,714), the Department is positioned to both eliminate the General Fund appropriation in its Leased Space line item for a second year (an estimated \$98,313), as well as include a further savings of \$361,401 cash funds.

Consequences of Problem

- The existence of the vendor commission enables the Department to contribute further appropriations savings to the overall State budget, at any time through FY 2017-18.

Proposed Solution

- The Department proposes a reduction of its FY 2017-18 Leased Space continuation request of \$3,235,631 by \$459,714 (a reduction of \$98,313 General Fund and \$361,401 Cash Funds). Utilization of the vendor commission in this way prior to its December 2017 expiration will deliver additional up-front savings to both the General Fund as well as DORA fee payers, keeping leased space appropriations below the last year of its previous lease (FY 2015-16) for two full years.



COLORADO

Department of Regulatory Agencies

John W. Hickenlooper
Governor

Joe Neguse
Executive Director

FY 2017-18 Funding Request | November 1, 2016

Department Priority: R-02
Request Detail: Reduce Leased Space Appropriation

Summary of Incremental Funding Change for FY 2017-18	Total Funds	General Fund
Reduce Leased Space Appropriation Savings Request	(\$459,714)	(\$98,313)

Problem or Opportunity:

The Department proposes a reduction of its Leased Space base continuation request of \$3,235,631 by \$459,714 (a reduction of \$98,313 General Fund and \$361,401 Cash Funds). This reduction is intended to capture an available rent credit related to the State's share of the commission on the lease itself, and represents a follow-up to last year's FY 2016-17 change request (R-01 Annualize Terms of New Department Lease Agreement) to incorporate the terms of the new lease into annual Department appropriations.

Background. The Department presently occupies consolidated space at 1560 Broadway in Denver with a present total 165,764 square feet, and is in the first year of a 10-year agreement for this lease. Efforts to secure this space were culminated after two years of planning efforts, and approved by the Joint Budget Committee via decision item during the 2016 Legislative Session.

Terms of New Lease Agreement. The following table outlines terms of the new agreement effective July 1, 2016. For FY 2016-17, the impact to the budget was a reduction of \$2,374,716 total funds, including \$97,037 General Fund, \$1,964,298 Cash Funds, \$272,917 Reappropriated Funds, and \$40,464 Federal Funds. The following table shows the estimated rent schedule by fiscal year:

Existing Rate Schedule						
Year	Square Feet	Rate*	Total Cost	Max Rent Credit/SF	Effective Rate	Total Cost/ Appropriation
FY 16-17**	165,764	\$24.35	\$1,009,088.35	(\$5.88)	\$18.47	\$765,415.27
FY 17-18	165,764	\$24.85	\$4,119,235.40	(\$5.88)	\$18.97	\$3,144,543.08
FY 18-19	165,764	\$25.35	\$4,202,117.40	(\$5.88)	\$19.47	\$3,227,425.08
FY 19-20	165,764	\$25.85	\$4,284,999.40	(\$5.88)	\$19.97	\$3,310,307.08
FY 20-21	165,764	\$26.35	\$4,367,881.40	(\$5.88)	\$20.47	\$3,393,189.08
FY 21-22	165,764	\$26.85	\$4,450,763.40		\$26.85	\$4,450,763.40
FY 22-23	165,764	\$27.35	\$4,533,645.40		\$27.35	\$4,533,645.40

Existing Rate Schedule

Year	Square Feet	Rate*	Total Cost	Max Rent Credit/SF	Effective Rate	Total Cost/ Appropriation
FY 23-24	165,764	\$27.85	\$4,616,527.40		\$27.85	\$4,616,527.40
FY 24-25	165,764	\$28.35	\$4,699,409.40		\$28.35	\$4,699,409.40
FY 25-26	165,764	\$28.85	\$4,782,291.40		\$28.85	\$4,782,291.40
FY 26-27**	165,764	\$29.35	\$3,648,880.05		\$29.35	\$3,648,880.05
			<u>\$44,714,839.00</u>			<u>\$40,572,396.64</u>

*Rates include base rate of \$16.50/SF escalating at \$0.50 annually, plus estimated operating at \$7.85/SF in each year

**Only 3 months' occupancy in FY 2016-17 and 9 months' occupancy in FY 2026-27 estimated here due to rent abatement in Year 1

The budget impact of the new lease agreement was significantly less than expected in both the short and long term, owing to rent credits, graduated lease escalations, and up-front free rent as follows:

- Rent credits included in the lease agreement are serving to bring the lease rate per-square foot down from \$24.35 to \$18.47 during FY 2017-18 (compared with the Department's current rate of \$18.10 for FY 2015-16).
- The Department negotiated nine months of free rent during the first year, which represents a savings of over \$3 million. In facilitating up-front savings realized immediately, this serves to bring down the average cost over the full 10-year term.

As a part of the master contract with its representation (Jones Lange LaSalle, or JLL), the Department was entitled to 30% of JLL's fee commission for the signed lease agreement. This resulted in a balance of \$497,292 that must be used at any time prior to December 31, 2017. Last year the Department proposed committing \$37,578 of this amount as an additional rent credit in year 1 of the lease, enabling the Department to fully offset General Fund appropriations in the first year (adding this amount to an estimated \$59,459 in General Fund savings from the other abatement/credits in the lease). As a result, the General Fund appropriation for Leased Space during the first year of the new lease was eliminated.

Although the Department mentioned at this time last year that it was considering utilizing these funds for tenant improvements (in lieu of securing additional space), in light of the present budget environment ultimately the Department has determined that realizing budget savings with this vendor commission is the best use of those resources. As such, opportunity exists to further reduce leased space appropriations to the Department for FY 2017-18. With the remaining balance of this vendor commission (\$459,714), the Department is positioned to both eliminate the General Fund appropriation in its Leased Space line item for a second year (an estimated \$98,313), as well as include a further savings of \$361,401 Cash Funds.

Proposed Solution:

The Department proposes a reduction of its Leased Space base continuation request of \$3,235,631 by \$459,714 (a reduction of \$98,313 General Fund and \$361,401 Cash Funds). This enables the second year of the new lease to be funded at a level which is still well below the last and most expensive year of its previous lease (FY 2015-16), as well as zero out General Fund obligations for another consecutive year.

Ultimately, fee payers benefit from any request that reduces cash fund appropriations, as changes to appropriations reduce the maximum spending that can occur in a given fiscal year, and thus, fees that must

be charged to support expenditures. Because leased space is only one small component of an expense that affects many fees across the Department, it is not possible to quantify a specific fee reduction associated with this individual request. However, lease expenses could be anticipated to be 14% less in FY 2017-18, and this level would be factored into all fee calculations.

Appropriations reductions will have a slight benefit to the State overall in terms of forecasted cash fund appropriations, which now compete with General Fund obligations in the context of potential TABOR refund amounts.

Anticipated Outcomes:

Given that this is a savings request, the requested reduction in appropriations is the anticipated outcome. Service delivery will not be affected.

Assumptions and Calculations:

The Department proposes a reduction of its Leased Space base continuation request of \$3,235,631 by \$459,714 (a reduction of \$98,313 General Fund and \$361,401 Cash Funds). This enables the second year of the new lease to be funded at a level which is still well below the last and most expensive year of its previous lease (FY 2015-16). As noted in the following table, the amounts are simply the difference between expected funding needs and overall base continuation appropriations, as follows:

Leased Space Line Item	Year 1 (FY 16-17) Amount	Year 2 (FY 17-18) Amount	Year 3 (FY 18-19) Amount
FY 15-16 Appropriation	\$3,193,641	\$3,193,641	\$3,193,641
New Lease Projected Costs			
FY 16-17 Rate	\$1,009,088.35	\$4,119,235.40	\$4,202,117.40
Max Rent Credit	(\$243,673)	(\$974,692)	(\$974,692)
Use of Vendor Commission to Offset GF	(\$37,578)		
NNN Operating @ 7% cap	\$91,087	\$91,087	\$91,087
Total New Lease Costs (Status Quo)	\$818,925	\$3,235,631	\$3,318,512
Difference From FY 15-16 Appropriations	(\$2,374,716)	\$41,989	\$124,871
Revised Appropriation	\$818,925	\$3,235,631	\$3,318,512
Further Application of Vendor Commission		(\$459,714)	
Revised Lease Costs (under Change Request)	\$818,925	\$2,775,917	\$3,318,512
Difference From FY 15-16 Appropriations	(\$2,374,716)	(\$417,725)	\$124,871
Revised Appropriation	\$818,925	\$2,775,917	\$3,318,512

Schedule 13

Funding Request for the FY 2017-18 Budget Cycle

Department of Regulatory Agencies

Request Title

R-03 Improve Enforcement of Medical Marijuana Grey Market

Dept. Approval By: *[Signature]* 10/25 Supplemental FY 2016-17
 Change Request FY 2017-18
 OSPB Approval By: *[Signature]* 10/25/16 Budget Amendment FY 2017-18

Summary Information	Fund	FY 2016-17		FY 2017-18		FY 2018-19
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$34,286,744	\$0	\$35,631,414	\$317,956	\$278,253
FTE		201.5	0.0	202.8	1.0	1.0
Total of All Line Items Impacted by Change Request	GF	\$428,816	\$0	\$561,264	\$0	\$0
	CF	\$32,475,442	\$0	\$33,687,156	\$317,956	\$278,253
	RF	\$1,135,278	\$0	\$1,164,451	\$0	\$0
	FF	\$247,408	\$0	\$218,543	\$0	\$0

Line Item Information	Fund	FY 2016-17		FY 2017-18		FY 2018-19
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$4,186,649	\$0	\$4,612,941	\$7,927	\$7,927
FTE		0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office and Administrative Services - Health, Life, and Dental	GF	\$119,053	\$0	\$207,246	\$0	\$0
	CF	\$3,790,660	\$0	\$4,153,345	\$7,927	\$7,927
	RF	\$236,639	\$0	\$239,506	\$0	\$0
	FF	\$40,297	\$0	\$12,844	\$0	\$0
Total		\$68,255	\$0	\$70,084	\$108	\$108
FTE		0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office and Administrative Services - Short-term Disability	GF	\$2,000	\$0	\$2,564	\$0	\$0
	CF	\$61,826	\$0	\$63,061	\$108	\$108
	RF	\$3,925	\$0	\$4,149	\$0	\$0
	FF	\$504	\$0	\$310	\$0	\$0
Total		\$1,729,990	\$0	\$1,851,203	\$2,848	\$2,848
FTE		0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office and Administrative	GF	\$50,621	\$0	\$67,732	\$0	\$0

Services -	CF	\$1,567,171	\$0	\$1,665,698	\$2,848	\$2,848
Amortization	RF	\$99,342	\$0	\$109,576	\$0	\$0
Disbursement	FF	\$12,856	\$0	\$8,199	\$0	\$0
Total		\$1,711,969	\$0	\$1,851,203	\$2,848	\$2,848
01. Executive	FTE	0.0	0.0	0.0	0.0	0.0
Director's Office and	GF	\$50,094	\$0	\$67,732	\$0	\$0
Administrative	CF	\$1,550,846	\$0	\$1,665,696	\$2,848	\$2,848
Services -	RF	\$98,307	\$0	\$109,576	\$0	\$0
Supplemental	FF	\$12,722	\$0	\$8,199	\$0	\$0
Amortization						
Equalization						
Disbursement						
Total		\$10,539,009	\$0	\$11,103,047	\$200,000	\$200,000
01. Executive	FTE	0.0	0.0	0.0	0.0	0.0
Director's Office and	GF	\$206,648	\$0	\$215,990	\$0	\$0
Administrative	CF	\$10,047,518	\$0	\$10,589,873	\$200,000	\$200,000
Services - Legal	RF	\$103,614	\$0	\$108,193	\$0	\$0
Services	FF	\$181,029	\$0	\$188,991	\$0	\$0
Total		\$14,487,241	\$0	\$14,598,514	\$98,572	\$63,572
	FTE	201.5	0.0	202.8	1.0	1.0
09. Division of	GF	\$0	\$0	\$0	\$0	\$0
Professions and	CF	\$13,893,790	\$0	\$14,005,063	\$98,572	\$63,572
Occupations -	RF	\$593,451	\$0	\$593,451	\$0	\$0
Personal Services	FF	\$0	\$0	\$0	\$0	\$0
Total		\$1,563,631	\$0	\$1,544,422	\$5,653	\$950
	FTE	0.0	0.0	0.0	0.0	0.0
09. Division of	GF	\$0	\$0	\$0	\$0	\$0
Professions and	CF	\$1,563,631	\$0	\$1,544,422	\$5,653	\$950
Occupations -	RF	\$0	\$0	\$0	\$0	\$0
Operating Expenses	FF	\$0	\$0	\$0	\$0	\$0

CF Letternote Text Revision Required	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	If Yes, see attached fund source detail.
RF Letternote Text Revision Required	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	
FF Letternote Text Revision Required	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	
Requires Legislation?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	
Type of Request?	Department of Regulatory Agencies Prioritized Request				
Interagency Approval or Related Schedule	None				



COLORADO

Department of
Regulatory Agencies

Priority: R-03
Improve Enforcement of Medical Marijuana Grey Market
FY 2017-18 Change Request

Cost and FTE

- The Department requests funding from the Marijuana Tax Cash Fund to enable the Colorado Medical Board (CMB) to expand its collaboration with local, state and federal regulators and law enforcement in supporting the State of Colorado's efforts to eliminate the medical marijuana grey market by enforcing practice standards to protect patients. Specifically, this request includes \$317,956 cash funds and 1.0 FTE for FY 2017-18 to support \$200,000 in legal expenses, the one-time retention of a strategic marketing/communication firm estimated at \$35,000, and 1.0 FTE (Criminal Investigator I) ongoing at \$82,956. These amounts represent less than 1% of the Personal Services appropriation and roughly 2% of the Department's legal appropriation.

Current Program

- The CMB protects consumers via regulating the practice of medicine in Colorado by licensing qualified physicians and enforcing practice standards by investigating complaints and carrying out disciplinary actions when standards are not met. Licenses issued, complaints processed, investigations opened, and disciplinary actions are all associated workload measures. The Medical Board is a complaint driven board, and thus, referrals from law enforcement are a key component of the Board's regulatory portfolio.
- In Colorado, only physicians are authorized to make medical marijuana (MMJ) recommendations. Colorado Medical Board Policy 40-28 Regarding Recommendations for Marijuana as a Therapeutic Option sets forth guidelines for physicians making medical marijuana recommendations.

Problem or Opportunity

- *Educational campaign in FY 2017-18.* Similar to efforts with the Prescription Drug Monitoring Program, the Department seeks retention of a professional marketing/communication firm to effectively develop a campaign to raise awareness among third-party victims so that complaints are received by concerned neighbors, friends, employers, colleagues and a broader base of stakeholders.
- *Law Enforcement Education.* The requested awareness campaign will also include facilitation of a DORA forum with law enforcement to identify regulatory gaps and to develop and distribute a roadmap for law enforcement regarding complaints and factors for successful case completion. These efforts may lead to enhanced collaboration and evidence sharing to identify wrongdoing and to expedite MMJ cases and discipline.
- *Increased Investigation and Access to Filing Complaints.* The investigator FTE would dedicate time to investigation of MMJ cases while also staffing a malpractice hotline to receive the increased complaints and remove barriers for those suspecting wrongdoing.
- *Legal Services.* Emerging marijuana enforcement issues targeting medical licensees require supporting funds from the Marijuana Tax Cash Fund.

Consequences of Problem

- If the proposed solution is not approved, the Department and the State will continue to be limited in efforts to meaningfully address the medical marijuana grey market.

Proposed Solution

- The proposed solution is to request funding for FY 2017-18 to: increase awareness, receive and investigate increased complaints, and support legal expenses using the Marijuana Tax Cash Fund.
- The Department will be able to measure results by tracking the increase in complaints and types of disciplinary actions taken, as well as by reaching an increased number of stakeholders using outreach.



COLORADO
Department of Regulatory Agencies

John W. Hickenlooper
Governor

Joe Neguse
Executive Director

FY 2017-18 Funding Request | November 1, 2016

Department Priority: R-03
Request Detail: Improve Enforcement of Medical Marijuana Grey Market

Summary of Incremental Funding Change for FY 2017-18	Total Funds	General Fund
Marijuana Tax Cash Fund Request	\$317,956	\$0

Problem or Opportunity:

The Department requests \$317,956 Cash Funds and 1.0 FTE (\$278,253 ongoing) funding from the Marijuana Tax Cash Fund to enable the Colorado Medical Board to expand its collaboration with local, state and federal regulators and law enforcement in supporting the State of Colorado's efforts to eliminate the medical marijuana grey market by enforcing practice standards to protect patients.

Background. The Colorado Medical Board (CMB) protects consumers via regulating the practice of medicine in Colorado by licensing qualified physicians and enforcing practice standards by investigating complaints and carrying out disciplinary actions when standards are not met. The CMB was instituted as part of the Medical Practice Act for the purpose of regulating and controlling the practice of healing arts, which include establishing and enforcing the licensing standards for Medical Doctors (M.D.s), Doctors of Osteopathy (D.O.s), Physician Assistants (P.A.s), and Anesthesiology Assistants (A.A.s). Licensure is mandatory to practice medicine in Colorado or to treat Colorado patients, and the CMB investigates the unlicensed practice of medicine. The CMB is a Type I Board, which means that it is policy autonomous and comprised of professional and public members (eight M.D.s, three D.O.s, one P.A., and four public members).

The CMB has a professional staff of 8.3 FTE, which includes a Program Director, compliance and technical staff, and administrative support. The following tables show recent actual expenses for the board as well as recent actual workload statistics:

Colorado	FY 2015-16	
Medical Board	Expenditures	Percent
Personal Services	1,253,004	46.1%
Legal Services	923,780	34.0%
Other	543,246	20.0%
Total	2,720,031	100.0%

Colorado	FY 2015-16
Medical Board	Workload
Active Licensees	27,120
Complaints Received	932
Complaints Investigated	172
Disciplinary Actions Taken	114

Recreational and Medical Marijuana Legalization and Regulation. Recreational marijuana was legalized in Colorado in 2012 via amendment to the Colorado Constitution (making Colorado one of four states and the District of Colombia to legalize recreational marijuana). Medical marijuana (MMJ) was legalized in Colorado in 2000, and Colorado is presently one of 25 states and two jurisdictions to have enacted medical marijuana legislation. The regulation of medical marijuana in Colorado is divided among three different state agencies: the Department of Revenue (DOR), which regulates Medical Marijuana Businesses; the Department of Public Health and Environment (CDPHE), which maintains the MMJ Patient Registry; and the Department of Regulatory Agencies (DORA), which regulates physicians who are authorized by law to make recommendations for patient use of MMJ.

CMB Regulation of MMJ. In Colorado, only physicians are authorized to make medical marijuana (MMJ) recommendations. Colorado Medical Board Policy 40-28 Regarding Recommendations for Marijuana as a Therapeutic Option sets forth guidelines for physicians making medical marijuana recommendations. Both the Medical Practices Act and legislation enacting MMJ form the basis of CMB authority governing medical licensees making therapeutic MMJ recommendations. Physicians making MMJ recommendations are permitted by law to make those recommendations for serious debilitating medical conditions as set forth in CDPHE regulation. Most importantly, while the presumptive amount of marijuana for medical use is 6 plants/2 ounces per user, MMJ recommendations by physicians can increase this limit if medically necessary.

Disadvantages of Regulatory Structure – Plant Counts and the Marijuana Grey Market. In 2014, legislation established a cap for the number of MMJ plants an individual can possess at 99, meaning that with a physician recommendation it is possible for an individual to legally possess more than the presumptive count of 6 plants, but less than 100. From a policy standpoint it is unclear whether increased plant count is supported by peer-reviewed, evidence-base data related to medical dosing. Nevertheless, this cap has led to an increase in illegal marijuana grow operations which create supply for grey market sale of marijuana, with medical licensee MMJ recommendations being potentially used by individuals as cover for such operations.

Recent Disciplinary Actions. On July 19, 2016, four physician licenses in Colorado were summarily suspended due to MMJ activity, meaning their ability to practice medicine is revoked until such time as the CMB lifts the suspension. On August 23, 2016, the medical license of a fifth physician was similarly suspended. According to the Orders of Suspension, the Board found reasonable grounds to believe that the public health, safety or welfare imperatively requires emergency action and/or that the Respondents were guilty of a deliberate and willful violation of the Medical Practice Act. All five physicians were recommending the medical use of marijuana, each authorizing high plant counts (e.g., the possession of at least 75 plants) for hundreds of individuals without medical necessity. The Board found such conduct falls below generally accepted standards of medical practice and violates § 12-36-117(1)(p) and (mm), C.R.S. and Colo. Const. art. XVIII, § 14(4). More specifically, the individual licensees were suspended for recommending high-plant-count MMJ without medical necessity for a combined total of over 1,600 individuals, authorizing those individuals to collectively possess at least 120,000 plants, a potential supply with respect to grey market distribution of a substance that is illegal under federal law and illegal for recreational purposes in 46 states.

Opportunity to Bolster Investigation Efforts, Coordinate with Law Enforcement. During FY 2015-16, the Medical Board itself spent \$247,000 in investigation staff time on 172 investigations against medical licensees. Opportunity exists for this to be increased. Further, the Medical Board is a complaint-driven board, and thus, referrals from law enforcement are a key component of the Board's regulatory portfolio. MMJ enforcement in particular depends on complaints and referrals from law enforcement, something that happens in limited circumstances at present. With only 5 physicians presently under suspension for MMJ activities out of 27,000 active licensees, it is likely that there is significant unmet demand for investigation of MMJ violations. Under the status quo, CMB staff has expended significant time and energy on an ad-hoc basis attempting to conduct outreach specifically with law enforcement. Recent license suspensions suggest that further opportunity exists for enforcement if additional resources can be made available.

Legal Services Spending for Marijuana Enforcement Efforts. Due to consumer safety issues and the nature of investigation and disciplinary activity inherent to the medical profession, Legal Services represents a significant annual expense for the Medical Board, accounting for well over 30% of every dollar spent during FY 2015-16. Like most professions, Medical Board licensees bear the cost of their own regulation, meaning that over 30% of fees paid by licensees support this legal work. At the same time, the \$923,780 spent on legal services during FY 2015-16 includes a relatively small number of disciplinary actions (114 compared to 27,120 active licensees), which is in line with the cost-intensive nature of individual disciplinary matters from the standpoint of legal spending. Yet, the Medical Board does not receive any support from the Marijuana Tax Cash Fund, even as a quantifiable number of its disciplinary actions are confined to marijuana-related discipline (which as of August includes proceedings against 12 individual licensees, out of only 750 physicians who are currently registered to make MMJ recommendations). In fact, CMB staff estimate that marijuana-related disciplinary costs will carry an annual legal services impact of approximately \$200,000, or approximately 2,100 legal hours at the blended rate of \$95.05, potentially reaching 3,000 hours. That is the equivalent of a full-time attorney which under the status quo is supported by medical board license fees.

Proposed Solution:

The Department requests \$317,956 Cash Funds and 1.0 FTE (\$278,253 ongoing) funding from the Marijuana Tax Cash Fund to enable the Colorado Medical Board to expand its collaboration with local, state and federal regulators and law enforcement in supporting the State of Colorado's efforts to eliminate the medical marijuana grey market by enforcing practice standards to protect patients.

More specifically, this proposal includes the following components:

- *Educational campaign in FY 2017-18.* Similar to efforts with the Prescription Drug Monitoring Program, the Department seeks retention of a professional marketing/communication firm to effectively develop a campaign to raise awareness among third-party victims so that complaints are received by concerned neighbors, friends, employers, colleagues and a broader base of stakeholders.
- *Law Enforcement Education.* The requested awareness campaign will also include facilitation of a DORA forum with law enforcement to identify regulatory gaps and to develop and distribute a roadmap for law enforcement regarding complaints and factors for successful case completion. These efforts may lead to enhanced collaboration and evidence sharing to identify wrongdoing and to expedite MMJ cases and discipline.

- *Increased Investigation and Access to Filing Complaints.* The investigator FTE would dedicate time to investigation of MMJ cases while also staffing a malpractice hotline to receive the increased complaints and remove barriers for those suspecting wrongdoing.
- *Legal Services.* Given the cost-intensive nature of individual disciplinary matters before the Medical Board, emerging marijuana enforcement issues targeting medical licensees require supporting funds from the Marijuana Tax Cash Fund.

This request dovetails with a concerted statewide approach that seeks to avail itself of marijuana-generated funds to rectify problems accompanying a grey market in Colorado, specifically decreasing illegal marijuana grow operations which create supply for grey market sale of marijuana, with medical licensee MMJ recommendations being potentially used by individuals as cover for such operations.

Anticipated Outcomes:

The anticipated outcomes for the proposed resources requested include an increase in the number of disciplinary actions taken against medical licensees who unlawfully issue MMJ recommendations, increased ability to receive and investigate complaints, a reduction in the potential supply of grey market marijuana in Colorado, and a closer relationship between the Department and the law enforcement community which will further the interests of both in protecting Colorado consumers.

If the proposed solution is not approved, the Department and the State will continue to be limited in efforts to meaningfully address the medical marijuana grey market, which increases potential harm to consumers in terms of substance abuse, criminal activity associated with illicit grey market distribution and sale of marijuana, and potentially even indirect economic impacts to Colorado of being a known source of production of grey market marijuana.

Assumptions and Calculations:

The Department calculated costs are set forth in the following table:

Expenditure Detail	FY 2017-18		FY 2018-19		
Personal Services:					
Classification Title	Monthly Salary	FTE	FTE	FTE	FTE
Criminal Investigator I	\$4,747	1.0	\$56,964	1.0	\$56,964
PERA			\$5,782		\$5,782
AED			\$2,848		\$2,848
SAED			\$2,848		\$2,848
Medicare			\$826		\$826
STD			\$108		\$108
Health-Life-Dental			\$7,927		\$7,927
Subtotal Position 1, 1.0 FTE		1.0	\$77,303	1.0	\$77,303
Operating Expenses:					
		FTE		FTE	

Expenditure Detail	FY 2017-18		FY 2018-19		
Regular FTE Operating Expenses	\$500	1.0	\$500	1.0	\$500
Telephone Expenses	\$450	1.0	\$450	1.0	\$450
PC, One-Time	\$1,230	1.0	\$1,230	1.0	
Office Furniture, One-Time	\$3,473	1.0	\$3,473	1.0	
Contractor Costs			\$35,000		
Legal Services			\$200,000		\$200,000
<i>Subtotal Operating Expenses</i>			\$240,653		\$200,950
<u>TOTAL REQUEST</u>					
		1.0	<u>\$317,956</u>	1.0	<u>\$278,253</u>
<i>General Fund:</i>					
<i>Cash funds:</i>					
<i>Reappropriated Funds:</i>					
<i>Federal Funds:</i>					

Legal services costs were estimated at approximately 2,100 hours @ the blended legal services hourly rate of \$95.05, rounded to \$200,000. Contractor costs were estimated based on similar activities within another program (the Prescription Drug Monitoring Program), which carried out an engagement/outreach effort designed to raise awareness about the PDMP program and engage licensees in PDMP utilization.