

Hot Topics for Tennessee cities and towns

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#26

Legislature Makes Significant Changes to Drug Fund

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The Legislature recently made some significant modifications to state forfeiture laws and the expenditure of drug funds. Among the changes is a requirement that the local governing body approve a budget for the "drug fund." The new changes will become **effective July 1, 1997**. Most cities are currently considering the next fiscal year's budget, and it's important to remember to establish a budget for these funds.

Highlights of the changes are:

1. All drug fund monies must be accounted for in a special revenue fund. The mayor and the chief of police will recommend a budget for the special revenue fund, to be approved by the legislative body (city council, board, etc.).
(*Tennessee Code Annotated* 39-17-420)
2. Any purchases made with monies from the fund shall be made in accordance with all existing purchasing laws applicable to the city. (*T.C.A.* 53-11-452)
3. Monies in the special revenue fund may be used only for the following purposes:
 - a. Local drug enforcement (same as the old law). The city will no longer be required to have the District Attorney General review and approve the drug fund budget or expenditures.

Funds used for confidential transactions related to undercover investigative operations shall be administered in compliance with procedures established by the Comptroller of the Treasury (same as the old law).

Upon demand of the chief law enforcement executive, funds for use in cash transactions relating to undercover investigative operations will be released to the chief. The amount of funds demanded and the requirement to pay the funds from the special revenue fund are subject to the availability of funds *and the budgetary appropriations for that purpose*. In other words, the budget approved for the special revenue fund should appropriate funds for undercover operations and the police department cannot spend more than what has been budgeted.

- b. Local drug education programs (same as the old law, ie: DARE or Victor).
 - c. **Nonrecurring general law enforcement expenditures.** These expenditures are *generally* for capital outlay items. Funds cannot be used for day-to-day operations, such as patrolman salaries. For specific questions regarding what expenditures will qualify, please contact MTAS or consult with your municipal attorney.
 - d. Local drug treatment programs. (*T.C.A.* 39-17-420)
4. Twenty percent (20%) of funds received *after* July 1, 1997, must be set aside and earmarked for the purchase of an electronic fingerprint imaging system that is compatible with the FBI Automated Fingerprint Identification System. These funds should be set aside and earmarked until July 1, 2002, or until the city has sufficient funds to purchase the fingerprinting equipment. (*T.C.A.* 39-17 420)

NOTE: A law enforcement agency can be exempted from setting the funds aside if the agency enters into an interlocal agreement with another agency to book (fingerprint) prisoners, and the other agency purchases or already possesses this type of fingerprint equipment.

Attention recorders and finance directors:

The legislation requires this act to take effect on July 1, 1997. Therefore, cities should continue through June 30, with their current accounting method. After the books are closed on June 30, a separate special revenue account, "drug fund," must be established to account for drug monies currently held and for all new drug monies received.

Effective July 1, cities should remove drug fund monies from their General Fund Balance Sheet and establish the mandated drug fund. This can usually be done by a journal entry (if the drug money is in a separate bank account) with a "debit" to the General Fund Reserve Account and a "credit" to the bank account. A reverse of this entry in the new drug fund will establish the balance in the drug fund.

For more information, contact a MTAS municipal management consultant, finance consultant, or police management consultant.

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By sharing information, responding to client requests, and anticipating the ever-changing municipal government environment, MTAS promotes better local government and helps cities develop and sustain effective management and leadership.

MTAS offers assistance in areas such as accounting and finance, administration and personnel, fire, public works, law, ordinance codification, communications, and wastewater management. MTAS houses a comprehensive library and publishes numerous documents annually.

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