

STATE OF COLORADO

DEPARTMENT OF REVENUE

State Capitol Annex
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April 1, 2014

The Honorable Crisanta Duran
Chair, Joint Budget Committee
Colorado General Assembly

The Honorable Lois Court
Chair, House Finance Committee
Colorado General Assembly

The Honorable Michael Johnston
Chair, Senate Finance Committee
Colorado General Assembly

John W. Hickenlooper
Governor

Barbara J. Brohl
Executive Director

Ron Kammerzell
Deputy Senior Director

Lewis Koski
Division Director

Dear Senators and Representatives:

This report is submitted in accordance with C.R.S. §12-43.4-104 (6) of the Retail Marijuana Code. This section requires that the State Licensing Authority report on or before April 1, 2014, and on or before April 1 each year thereafter, to the Joint Budget Committee and the Finance Committees, or any successor committees on:

(a) The Progress that the State Licensing Authority is making in processing licenses;

To date, the Division has met the statutory mandate to take final action (approve or deny) on all Retail Marijuana Business License applications within 90 calendar days of the date of submission. As of the date of this report the Marijuana Enforcement Division (MED) has recommended final agency action within 49 days on average for Retail Marijuana Establishment Applications. The MED has maintained this same level of performance while processing new business applications for Medical Marijuana Businesses.

Retail Marijuana Establishment Application Status, March 31, 2014				
Facility Type	Licensed	Denied	Withdrawn	Pending
Stores	188	5	9	16
Cultivations	243	5	11	27
Product Manufacturers	49	0	0	10
Testing Facilities	4	0	0	3

The Division has maintained an active occupational licensing pool of 8,289 licensees through initial licensing or renewals. These licenses allow individuals to work within either the Medical or Retail Marijuana industries.

(b) An overview of the Retail Marijuana and Retail Marijuana Product markets, including but not limited to actual and anticipated market demand and market supply;

The Market Size and Demand Report will not be finalized until the end of April. The Department will provide an updated copy of this progress report to the Joint Budget Committee and the Finance Committees at that time and include a copy of the Market Size and Demand Report.

(c) Detailing the amount of revenue generated by Medical and Retail Marijuana, including applicable excise taxes, sales taxes, application fees, and any other fees, and detailing the expenses incurred by the State Licensing Authority, broken down into categories as determined by the Authority;

State of Colorado
 Marijuana Enforcement Division
 Revenue Analysis
 15Z Cash Fund

	Fiscal Year-Ended June 30, 2013	Six-months Ended December 31, 2013
Revenue:		
Medical:		
License and Application Fees	\$ 4,077,893	\$ 2,979,280
General Sales Taxes (2.9% Rate)	-	4,788,041
Subtotal Medical	<u>4,077,893</u>	<u>7,767,321</u>
Retail:		
License and Application Fees	-	1,704,000
Interest Income	38,260	36,819
Total Revenue	<u>4,116,153</u>	<u>9,508,140</u>
Total Expenses:	<u>2,103,341</u>	<u>2,136,952</u>
Net Income:	<u>2,012,812</u>	<u>7,371,189</u>

Supplemental Information

January 2014 Marijuana Sales and Excise Tax Revenues

	<i>Retail Marijuana Sales/Excise Taxes</i>	
	January 2014	Distributed to Marijuana Cash Fund
Medical:		
General Sales Taxes (2.9% Rate)	\$ 913,519	\$ 913,519
Retail:		
General Sales Taxes (2.9% Rate)	416,690	416,690
Retail Marijuana Special Sales Taxes (10% Rate)	1,401,568	1,191,534 *
Retail Marijuana Excise Taxes (15% Rate)	195,318	-
Marijuana Sales/Excise Taxes	<u>\$ 2,927,095</u>	<u>\$ 2,521,743</u>

*Does not include local share.

COLORADO DEPARTMENT OF REVENUE

FY2012-13

Fund 15Z - Marijuana License Cash Fund

FY 2012-2013

Total Expenses

Fund Expenditures Line Item Detail

Executive Director's Office

Personal Services Common Policies - Central Appropriations	195,676.34
Operating Common Policies	197,965.74
Common Policies overseen by the Department of Personnel and Administration	76,529.60
Common Policies overseen by the Governor's Office of Information Technology	204,479.00
Legal Services	19,827.86
Subtotal	694,478.54

Central Department Operations Division

Personal Services	5,808.00
Subtotal	5,808.00

Enforcement Business Group

Marijuana Enforcement Division	1,387,010.50
Subtotal	1,387,010.50

Division and Department Indirect Costs

Enforcement Business Group Administration	0.00
Executive Director's Office	14,036.00
Subtotal	14,036.00

Other Costs

Postage	2,008.02
Subtotal	2,008.02

Total **2,103,341.06**

Common Policy Descriptions

Personal Services Common Policies: Health, Life, Dental; Short-term Disability; Amortization Equalization Disbursement; Supplemental Amortization Equalization Disbursement; Salary Survey; Merit Pay.

Operating Common Policies: Capital Outlay; Variable Vehicle Payments; Leased Space.

Common Policies overseen by DPA: Worker's Compensation; Payments to Risk Management and Property Funds; Vehicle Lease Payments; Capital Complex Leased Space.

Common Policies overseen by OIT: Purchase of Services from Computer Center; Colorado State Network; Management and Administration of OIT; COFRS Modernization; Information Technology Security.

**COLORADO DEPARTMENT OF REVENUE
 FY2013-14
 Fund 15Z - Marijuana License Cash Fund**

**Expenses as of
 December 31, 2013**

Fund Expenditures Line Item Detail

Executive Director's Office

Personal Services Common Policies - Central Appropriations	164,531.26
Operating Common Policies	27,101.71
Common Policies overseen by the Department of Personnel and Administration'	28,534.32
Common Policies overseen by the Governor's Office of Information Technology	116,846.79
Legal Services	229,245.48

Subtotal 566,259.56

Central Department Operations Division

Personal Services	3,259.02
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Subtotal 3,259.02

Enforcement Business Group

Marijuana Enforcement Division	1,129,339.78
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Subtotal 1,129,339.78

Division and Department Indirect Costs

Enforcement Business Group Administration	79,984.25
Executive Director's Office	160,160.46

Subtotal 240,144.71

Other Costs

Postage	3,516.27
HB 13-1317 Implementation of A64 Majority-DOR	185,519.19
HB 13-1317 Implementation of A64 Majority-Law	0.00
HB 13-1318 Marijuana Taxes-DOR	8,913.27
DHS/DHCPF, 39-26-123 (6) C.R.S.	0.00
SB 13-230 Department of Public Safety	0.00
SB 13-283 Implementation of A64-CDPHE	0.00
SB 13-283 Implementation of A64-CDPS	0.00

Subtotal 197,948.73

Total 2,136,951.80

(d) The number of applications for conversion from Medical Marijuana licensees to Retail Marijuana establishments;

During Fiscal Year 2014, the MED received and licensed 42 applications for full conversion from a Medical Marijuana Business to a Retail Marijuana Establishment. The licenses issued by MED included:

License Type	Licenses Issued
Retail Marijuana Store	17
Retail Marijuana Cultivation Facility	24
Retail Marijuana Product Manufacturer	1

During Fiscal Year 2014, the MED approved 438 applications for Retail Marijuana Establishments that also maintained their Medical Marijuana Business licenses. The licenses issued by MED included:

License Type	Licenses Issued
Retail Marijuana Store	171
Retail Marijuana Cultivation Facility	219
Retail Marijuana Product Manufacturer	48

(e) The number of persons who have filed a Notice of Intent to apply for licensure pursuant to subparagraph (I) of paragraph (b) of subsection (1) of this section, and;

To date we have received 255 notices of intent to apply for Retail Marijuana Establishment licenses on or after July 1, 2014. The letters of intent received by MED included:

Application Type	Letters of Intent Received
Retail Marijuana Store	75
Retail Marijuana Cultivation Facility	129
Retail Marijuana Product Manufacturer	42
Retail Marijuana Testing Facility	9

(f) The Enforcement measures taken against persons licensed pursuant to this article for violation of regulations promulgated pursuant to this article.

The Division has concluded the following enforcement measures pursuant to this article:

- 514-Retail Marijuana Establishment Background Investigations
 - 484-Approvals
 - 10- Licensing Denials
 - 20-Licensing Withdrawals

- 40- Warning Letters
- 6- Underage Compliance Checks (All licensees were in compliance)
- 46- Onsite Inspections

Sincerely,



Barbara J. Brohl
Executive Director
Colorado Department of Revenue

Cc: Members of the Joint Budget Committee, Colorado General Assembly
Members of the House Finance Committee, Colorado General Assembly
Members of the Senate Finance Committee, Colorado General Assembly
Mr. Viktor Bojilov, Staff, Joint Budget Committee, Colorado General Assembly
Mr. Dan Cartin, Director, Office of Legislative Legal Services
Ms. Molly Otto, Manager of Library Services, Colorado Legislative Council
Mr. Erick Scheminske, Office of State Planning & Budget

Joint Budget Committee Members:

The Honorable Pat Steadman, Vice-chair, Joint Budget Committee, Colorado General Assembly
The Honorable Cheri Gerou, Joint Budget Committee, Colorado General Assembly
The Honorable Mary Hodge, Joint Budget Committee, Colorado General Assembly
The Honorable Kent Lambert, Joint Budget Committee, Colorado General Assembly
The Honorable Jenise May, Joint Budget Committee, Colorado General Assembly

House Finance Committee Members:

The Honorable Jeanne Labuda, Vice-chair, House Finance Committee, Colorado General Assembly
The Honorable KC Becker, House Finance Committee, Colorado General Assembly
The Honorable Mike Foote, House Finance Committee, Colorado General Assembly
The Honorable Janak Joshi, House Finance Committee, Colorado General Assembly
The Honorable Daniel Kagan, House Finance Committee, Colorado General Assembly
The Honorable Jovan Melton, House Finance Committee, Colorado General Assembly
The Honorable Dan Pabon, House Finance Committee, Colorado General Assembly
The Honorable Kevin Priola, House Finance Committee, Colorado General Assembly
The Honorable Lori Saine, House Finance Committee, Colorado General Assembly
The Honorable Spencer Swalm, House Finance Committee, Colorado General Assembly
The Honorable Jim Wilson, House Finance Committee, Colorado General Assembly

Senate Finance Committee Members:

The Honorable Andy Kerr, Vice-chair, Senate Finance Committee, Colorado General Assembly
The Honorable Kevin Grantham, Senate Finance Committee, Colorado General Assembly
The Honorable Owen Hill, Senate Finance Committee, Colorado General Assembly
The Honorable Jesse Ulibarri, Senate Finance Committee, Colorado General Assembly