



COLORADO
Department of Revenue
Enforcement Division - Marijuana
455 Sherman Street, Suite 390
Denver, CO 80203

April 1, 2015

The Honorable Kent Lambert
Chair, Joint Budget Committee
Colorado General Assembly

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

The Honorable Tim Neville
Chair, Senate Finance Committee
Colorado General Assembly

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 to the Joint Budget Committee and the Finance Committees, or any successor committees specific data points detailed in the statute. Our report 2015 follows.

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 Senate Finance Committee, Colorado General Assembly
Mr. Scott Thompson, Staff, Joint Budget Committee, Colorado General Assembly
Ms. Katie Ruedebusch, Staff, House Finance Committee, Colorado General Assembly
Ms. Kori Donaldson, Staff, Senate Finance 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, Governor's Office of State Planning and Budget
Ms. Alice Wheat, Office of State Planning & Budget
Mr. Andrew Freedman, Director, Governor's Office of Marijuana Coordination

Joint Budget Committee Members:
Representative Millie Hamner, Vice Chair

Senator Kevin Grantham
Representative Bob Rankin
Senator Pat Steadman
Representative Dave Young

House Finance Committee Members:

The Honorable Mike Foote, Vice-Chair
The Honorable KC Becker
The Honorable Kathleen Conti
The Honorable Alec Garnett
The Honorable Daniel Kagan
The Honorable Dan Pabon
The Honorable Kevin Priola
The Honorable Kit Roupe
The Honorable Kevin Van Winkle
The Honorable Jim Wilson

Senate Finance Committee Members:

The Honorable Owen Hill, Vice Chair
The Honorable Chris Holbert
The Honorable Mike Johnston
The Honorable Andy Kerr

**Colorado Department of Revenue
Enforcement Division – Marijuana**



**Report to the Joint Budget Committee and the Joint Finance
Committees of the Colorado General Assembly**

April 1, 2015

This report is submitted in accordance with C.R.S. §12-43.4-104 (6): On or before April 1, 2014, and on or before April 1 each year thereafter, the State Licensing Authority shall submit a report 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, deny or the applicant has voluntarily withdrawn an application from consideration) on all Retail Marijuana Establishment License applications within 90 calendar days of date of submission.

Retail Marijuana Establishment Application Status, April 1, 2015				
Facility Type	Licensed	Denied	Withdrawn	Pending
Stores	341	4	54	28
Cultivations	431	5	27	40
Product Manufacturers	107	0	3	18
Testing Facilities	18	0	1	1

The Division has issued 16,900 active Medical Marijuana Occupational Licenses allowing the individual license holder to work within either the Medical or Retail Marijuana industries.

The Division has issued nine Retail Marijuana Occupational Licenses to individuals who may only work within the Retail Marijuana industry due to less stringent occupational licensing requirements in the Retail Marijuana Code.

(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;

As of the date of this report, 63 Local Authorities (42 towns or cities and 21 counties) are allowing Retail Marijuana Facilities to operate within their jurisdictions.

The MED 2014 Market Size and Demand Study, published July 9, 2014, estimated the total demand for both Retail and Medical Marijuana in Colorado to be approximately 130.3 metric tons.

The MED Annual Update published February 27, 2015, reports that Retail Marijuana accounted for only 26% of the flowering marijuana sold in Colorado in 2014.

Conversely, Edible Retail Marijuana Products made up 59% of the total marijuana infused edibles sold in the state.

Finally, Retail Marijuana Infused Non-Edibles made up 47% of the total non-edible market in Colorado during 2014.

Both of these reports are available at <https://www.colorado.gov/pacific/enforcement/forms-publications-marijuana-enforcement-division>.

(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 determine by the Authority;

State of Colorado Marijuana Fee and Tax Revenue		
	<i>Last Fiscal Year</i>	<i>Current Fiscal</i>
	Fiscal Year- Ended June 30, 2014	Year-to-Date Four-months Ended October 31, 2014 ¹
Revenue:		
Medical:		
License and Application Fees	\$ 7,142,958	\$ 3,513,142
General Sales Taxes (2.9% Rate) ²	10,562,577	3,514,009
Subtotal Medical	17,705,534	7,027,151
Retail:		
License and Application Fees	2,441,700	1,437,118
General Sales Taxes (2.9% Rate) ²	2,706,299	3,365,072
Sales Taxes - Transfer In	7,668,035	-
Retail Marijuana Sales Taxes (10% Rate) ²	9,023,352	11,693,219
Retail Marijuana Excise Taxes (15% Rate) ²	3,014,839	5,278,467
Interest Income	118,322	-
Total Revenue	\$ 42,678,082	\$ 28,801,027

¹ Data for subsequent periods is not available at this time.

² Revenues collected from taxes are not deposited in the Marijuana Cash Fund.

State of Colorado
Marijuana Enforcement Division
Expenditures

	FYE2014 Total Expenses	Expenses as of October 31, 2014 ¹
-		
<u>Fund Expenditures Line Item Detail</u>		
<u>Executive Director's Office</u>		
Personal Services Common Policies - Central Appropriations	\$ 315,212.33	\$ 240,523.06
Operating Common Policies	99,310.48	127,066.62
Common Policies overseen by the Department of Personnel and Administration	51,884.01	13,708.82
Common Policies overseen by the Governor's Office of Information Technology	229,197.99	0.00
Legal Services	258,588.00	211,038.36
Subtotal	954,192.81	592,336.86
<u>Enforcement Business Group</u>		
Medical Marijuana Division	3,490,033.87	1,202,101.62
Subtotal	3,490,033.87	1,202,101.62
<u>Taxation Business Group</u>		
Tax Audit & Compliance		182,227.62
Taxpayer Services		51,755.35
Subtotal	0.00	233,982.97
<u>Executive Director's Office</u>		
Office of Research & Analysis & Enforcement Systems		56,498.26
Subtotal	0.00	56,498.26
<u>Division and Department Indirect Costs</u>		
Enforcement Business Group Administration	213,880.14	41,465.21
Executive Director's Office	0.00	26,238.41
Subtotal	213,880.14	67,703.62
<u>Other Costs</u>		
Postage	2,760.00	0.00
HB 13-1317 Implementation of A64 Majority-DOR	863,222.94	
HB 13-1317 Implementation of A64 Majority-Law	0.00	
HB 13-1318 Marijuana Taxes-DOR	1,836,193.59	
DHS/DHCPF, 39-26-123 (6) C.R.S.	2,000,000.00	
SB 13-230 Department of Public Safety	54,800.00	
SB 13-283 Implementation of A64-CDPHE	125,010.64	
SB 13-283 Implementation of A64-CDPS	19,504.62	
Subtotal	4,901,491.79	0.00
Total Expenditures	\$ 9,559,598.61	\$ 2,152,623.33

¹ Data for subsequent periods is not available at this time.

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

We have received 76 applications for full conversion of a Medical Marijuana Business to a Retail Marijuana Establishment; 26 Centers to Stores, 48 Cultivations and two Infused Product Manufacturers to Product Manufacturers.

(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;

On or before June 30, 2014, 419 individual owner applicants filed 330 Notices of Intent to apply for a MED Retail Marijuana Establishment License. The notices included 183 Stores, 115 Product Manufacturers, 274 Cultivations, and five Testing Facilities (577 potential licenses in total).

In accordance with C.R.S. 12-43.4-104 (2) (b) (II) (A) these applicants were given preference and were the only entities provided application submission appointments between July 1 – 28, 2014. During this time period 78 business entities that had filed a Notice of Intent elected to set an appointment with the MED to submit their applications. Once the Division had contacted each individual that had filed a notice and provided them an appointment or confirmed that they did not want an appointment, it began accepting applications from persons that had not filed a Notice of Intent.

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

The Division is tasked with regulation of both Medical Marijuana Businesses and Retail Marijuana Establishments. The table below represents enforcement measures administered by the Division that include due diligence and complaint investigations. A more detailed accounting of these investigations may be found in the 2014 MED Annual Update.

2014 Core Due Diligence and Complaint Investigations		
Background Investigations	Open	Closed
Corporate Background	48	448
Corporate Renewal	110	702
Corporate Change of Ownership	43	230
Owner Background	44	301
Field Enforcement Investigations		
Licensing Field Inspection	646	319
Investigator Initiated Field Visit	32	137
Change of Location/Modification of Premises	76	349
Complaint Investigations		
Regulatory Violation	103	172
Citizen Complaint/Tip Line/Report of Violations	43	106
Field Inspection	18	54

As a result of the complaint investigations above, the following administrative actions were issued by the State Licensing Authority to Medical Marijuana Business and Retail Marijuana Establishment Licensees in calendar year 2014.

- 77 Notices of Denial
- 30 Summary Suspensions
- 153 Stipulated Agreements
- 99 Orders to Show Cause