



April 3, 2017

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

The Honorable Dan Pabon
Chair, House Finance Committee
Colorado General Assembly

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

Dear Senators and Representatives:

In accordance with 12-43.4-104(6), C.R.S., of the Colorado Retail Marijuana Code, attached is the State Licensing Authority's report on the following data points for calendar year 2016:

- (a) The progress that the State Licensing Authority is making in processing licenses;
- (b) An overview of the retail marijuana and retail marijuana products markets, including but not limited to actual and anticipated market demand and market supply;
- (c) Detailing the amounts of revenue generated by medical and retail marijuana, including applicable excise taxes, sales taxes, application and license fees, and any other fees, and detailing the expenses incurred by the State Licensing Authority, broken down into categories as determined by the authority;
- (d) The number of applications for conversion from medical marijuana licensees to retail marijuana establishments;
- (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 section 104, C.R.S.; and
- (f) The enforcement measures taken against persons licensed pursuant to this article for violation of regulations promulgated pursuant to this article.

Sincerely,

Barbara J. Brohl
Executive Director
Colorado Department of Revenue



COLORADO

Department of Revenue

Enforcement Division - Marijuana

**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
Ms. Jessi Neuberg, Staff, Joint Budget Committee, Colorado General Assembly
Ms. Kori Donaldson, Staff, House Finance Committee, Colorado General Assembly
Mr. Matt Becker, Staff, Senate Finance Committee, Colorado General Assembly
Mr. Dan Cartin, Director, Office of Legislative Legal Services
Ms. Susan Liddle, Manager of Library Services, Colorado Legislative Services
Mr. Erick Scheminske, Deputy Director, Governor's Office of State Planning and Budget
Mr. Mark Bolton, Director, Governor's Office of Marijuana Coordination**

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Senator Bob Rankin
Representative Dave Young**

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The Honorable Chris Kennedy
The Honorable Polly Lawrence
The Honorable Dafna Michaelson Jenet
The Honorable Dan Thurlow
The Honorable Kevin Van Winkle**

Senate Finance Committee Members:

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The Honorable Lois Court
The Honorable Jack Tate
The Honorable Andy Kerr**



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



**Report to the Joint Budget Committee and
House and Senate Finance Committees of the
Colorado General Assembly Pursuant to
Subsection 12-43.4-104(6), C.R.S.**

April 1, 2017



(a) Progress the State Licensing Authority is making in processing licenses:

The Division continues to meet the statutory mandate to take final action (approve, deny, or accept the voluntary withdrawal of an application) on all new Retail Marijuana Establishment license applications within 90 calendar days of the date of submission.

As of December 31, 2016, there were 459 MED licensed Stores, 633 Cultivations, 244 Product Manufacturers and 14 Testing Facilities, totaling 1,350 Retail Marijuana Establishment Licensees.

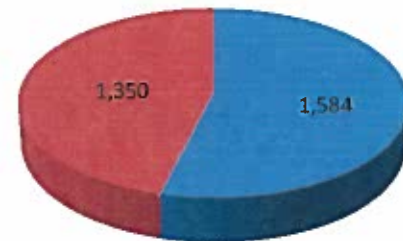
Since the Division began accepting applications for Retail Marijuana businesses on October 1, 2013, it has received and processed 1,775 Retail Marijuana Establishment applications. Of those applications, 1,608 (91%) were initially approved (please note that this category includes revoked, expired, and surrendered licenses). Twelve of the applications were denied (1%), and 144 were withdrawn from consideration by the applicant (8%).

(b) Overview of Retail Marijuana and Retail Marijuana Product markets, including but not limited to, actual and anticipated market demand and market supply:

License Representation:

At the close of Calendar Year (CY) 2016, MED Licensed Retail Marijuana Establishments represented 46% of the 2,934 commercial regulated marijuana licensees operating within Colorado.

Total Marijuana Business Licensees (2,934)



■ Medical ■ Retail

Increased Demand:

The Retail Marijuana market saw an overall increase in demand from CY 2015 to CY 2016. Specifically, 175,642 pounds of raw Retail Marijuana flower were sold in CY 2016 (an increase of 64% from 106,932 pounds sold in CY 2015). In addition, 7,250,936 individual units of edible Retail Marijuana Products were sold in CY 2016 (an increase of 37% from 5,280,297 units sold in CY 2015). Finally, in CY 2016, Retail Marijuana Stores sold 761,764 individual units of non-edible Retail Marijuana Products (a decrease of 5% from 801,215 units sold in CY 2015).



c) Revenue generated by Medical and Retail Marijuana businesses, including applicable excise taxes, sales taxes, application fees, and any other fees, and expenses incurred by the State Licensing Authority:

	State of Colorado Revenue Generated by Marijuana Fees and Taxes	
	FY 2015-16 Fiscal Year Ended June 30, 2016	FY 2016-17 Eight Months Ending February 28, 2017 ¹
Revenue:		
Medical:		
Medical License and Application Fees	\$ 6,512,813	\$ 3,088,223
Medical Marijuana Sales Taxes (2.9% rate) ²	12,150,626	8,147,728
Subtotal Medical:	\$ 18,663,438	\$ 11,235,951
Retail:		
Retail License and Application Fees	\$ 5,026,981	\$ 3,176,649
Retail Marijuana Sales Taxes (2.9% rate) ²	19,410,953	18,102,223
Retail Marijuana Special Sales Taxes (10% rate) ²	67,094,524	64,056,739
Retail Marijuana Excise Taxes (15% rate) ²	42,630,839	46,249,831
Subtotal Retail:	\$ 134,163,297	\$ 131,585,442
Occupational License and Application Fees	\$ 3,291,632	\$ 1,599,480
Fines	\$ 582,650	\$ 399,500
Interest Income	\$ 810,427	\$ 741,606
Total Revenue	\$ 157,511,445	\$ 145,561,979

¹ Data for subsequent periods is not available at the time of publication.

² Revenue collected from taxes are deposited in the Marijuana Tax Cash Fund.

**COLORADO**

Department of Revenue

Enforcement Division - Marijuana

**State of Colorado
Expense Incurred by the
State Licensing Authority**

	FY 2015-16 Fiscal Year Ended June 30, 2016	FY 2016-17 Eight Months Ending February 28, 2017 ¹
Expenditures:		
Executive Director's Office		
Personal Services	\$ 176,193	\$ 214,747
Operating	11,716	-
Postage	1,381	6,442
Leased Space	411,993	220,791
Common Policies: Department of Personnel and Administration	227,657	198,928
Common Policies: Governor's Office of Information Technology	387,763	313,876
Legal Services	644,642	425,296
Subtotal Executive Director's Office	\$ 1,861,346	\$ 1,380,080
Enforcement Business Group		
Enforcement Business Group Administration	\$ 291,012	\$ 164,130
Marijuana Enforcement Division	6,786,917	5,022,628
Subtotal Enforcement Business Group	\$ 7,077,929	\$ 5,186,758
Taxation Business Group		
Tax Audit & Compliance	\$ 564,484	\$ 419,014
Taxpayer Services	163,859	117,112
Subtotal Taxation Business Group	\$ 728,343	\$ 536,126
Indirect Cost Assessment		
Indirect Costs	\$ 495,385	\$ 793,627
Subtotal Indirect Cost Assessment	\$ 495,385	\$ 793,627
Total Expenditures	\$ 10,163,003	\$ 7,896,591

¹ Data for subsequent periods is not available at the time of publication.



(d) Number of applications for conversion from Medical Marijuana Licensees to Retail Marijuana Establishments:

In 2016, MED received 109 applications for full conversion of a Medical Marijuana Business to a Retail Marijuana Establishment:

- (a) 25 Medical Marijuana Centers to Retail Marijuana Stores;
- (b) 55 Medical Marijuana Cultivations to Retail Marijuana Cultivations; and
- (c) 29 Medical Marijuana-Infused Product Manufacturers to Retail Marijuana Product Manufacturers.

(e) Number of persons who have filed a Notice of Intent to apply for licensure:

This portion of the report is no longer applicable, as on July 1, 2014, the Notice of Intent mechanism became obsolete.

(f) Enforcement measures taken against persons licensed for violation of regulations:

Many Retail Marijuana Establishment owners also own Medical Marijuana Businesses consisting of co-located licenses that operate at a single physical location. For example, a commonly owned Medical Marijuana Center may be co-located with a Retail Marijuana Store. As a result, medical and retail operations are often connected such that more than one license may be subject to the same investigation or enforcement action. In CY 2016, the Division conducted 1,668 regulatory and criminal enforcement investigations, which include compliance and monitoring activities.

Such investigations utilize a variety of approaches, technologies and tools including, but not limited to, site visit compliance checks, tracking anomalies in licensee inventory data, partnering with other law enforcement agencies on potential criminal activity and developing risk-based analyses conducted by MED criminal and compliance investigators. This multi-pronged approach allows the Division to identify enforcement and compliance issues through a variety of methods and levels of scrutiny. A Division investigation may result in an administrative action in the form of an Assurance of Voluntary Compliance, Denial of a license application, Order to Show Cause, Summary Suspension, or Stipulation, Agreement and Order.

The following administrative actions were issued in CY 2016:

- (a) Eight (8) Assurances of Voluntary Compliance, involving 44 Medical and Retail licenses;
- (b) 23 Notices of Denial, involving 47 Medical and Retail licenses;
- (c) 41 Orders to Show Cause, involving 131 Medical and Retail licenses;
- (d) 39 Summary Suspensions, involving 52 Medical and Retail licenses; and
- (e) 105 Stipulations, Agreements and Orders, involving 320 Medical and Retail licenses.