Finances and Budgeting
City and County of Denver
Stephanie Karayannis Adams
Budget Director
Denver Marijuana Landscape – Sales

2014:
Total Gross Sales: $331.7m
Retail 45%
Medical 55%

2015:
Total Gross Sales: $412.7m
Retail 53%
Medical 47%

2016:
Total Gross Sales: $501.6m
Retail 58%
Medical 42%

2017 (thru July):
Total Gross Sales: $328m
Retail 64%
Medical 36%
As of 7/1/17, the retail marijuana tax rate in Denver is 22.15%.

The medical marijuana tax rate in Denver is 7.65%.
## Denver Marijuana Licensing Fees

<table>
<thead>
<tr>
<th>Category</th>
<th>Application Fee</th>
<th>Renewal/Annual License Fee (paid on new applications and renewals)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Store/Cultivation/MIP</td>
<td>$2500*</td>
<td>$5000</td>
</tr>
<tr>
<td>Retail Transporter/Testing Facility</td>
<td>$500</td>
<td>$5000</td>
</tr>
<tr>
<td>Medical Center/Cultivation/MIP/Testing Facility</td>
<td>$2000</td>
<td>$3000</td>
</tr>
<tr>
<td>Medical Transporter</td>
<td>$2000</td>
<td>$3000</td>
</tr>
<tr>
<td>Social Consumption</td>
<td>$1000</td>
<td>$1000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>License Amendment</td>
<td></td>
</tr>
<tr>
<td>Transfer of Ownership</td>
<td>$100</td>
</tr>
<tr>
<td>Retail Transporter</td>
<td>$750</td>
</tr>
<tr>
<td>Modifications of Premises</td>
<td>$150</td>
</tr>
<tr>
<td>Corporate Structure Change</td>
<td>$100</td>
</tr>
</tbody>
</table>

*Application fees are $250 for an existing medical business that is adding or converting to retail
Marijuana Tax Revenue as Share of General Fund Revenue:
Total Revenue vs. Sales & Use Taxes

- **MJ Tax Revenue Share of Total GF Revenue**
- **MJ Tax Revenue Share of GF Sales Tax Revenue**

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>1.50%</td>
<td>1.84%</td>
<td>2.23%</td>
<td>2.66%</td>
<td>2.82%</td>
</tr>
<tr>
<td>Actual</td>
<td>3.03%</td>
<td>3.80%</td>
<td>4.49%</td>
<td>5.30%</td>
<td>5.61%</td>
</tr>
</tbody>
</table>

**Accela**
**DENVER MARIJUANA MANAGEMENT SYMPOSIUM**
**MAXIMUS**
**BIOTRACKTHC®**
Marijuana Revenue Support of City and County of Denver Operations

In addition to the expenses related directly to the City’s responsibility to regulate, enforce, maintain public health and provide preventative education, marijuana revenues support expanding the City’s capacity for basic City services across all neighborhoods.

Marijuana Licensing Fees

Supports Excise and Licenses operations through the General Fund

City of Denver General Fund

Standard Sales Tax (Retail and Medical)

Special Sales Tax (Retail) and State Shareback

Appropriated to Various City Agencies
- Office of Marijuana Policy
- Environmental Health
- Community Planning & Development
- Department of Finance
- Police Department
- Office of Children’s Affairs
- Parks and Recreation
- Technology Services
- Fire Department
- Denver Health
- City Attorney’s Office
- Office of Behavioral Health

Education
- Office of Marijuana Policy
- Public Health
- Enforcement
- Regulation
How are the 3.5% special retail tax and state shareback budgeted?

Deferred Maintenance
Opioid Program
Affordable Housing
Education
Enforcement
Regulation
3.5% special retail tax

Deferred Maintenance: $21.2 million
3.5% special retail tax & state shareback: $21.2 million

2016
Education
Enforcement
Regulation
Affordable Housing

2017
Education
Enforcement
Regulation
Affordable Housing

2018
Education
Enforcement
Regulation
Affordable Housing

Accela
Marijuana Management Symposium
Maximus
BiotrackTHC
Denver Budgeted Marijuana Expenditures by Functional Area

- **Regulation**
  - 2014: $746,000
  - 2015: $1,485,000
  - 2016: $2,375,272
  - 2017: $2,614,492
  - 2018: $2,805,803

- **Enforcement**
  - 2014: $1,425,579
  - 2015: $1,394,579
  - 2016: $2,550,792
  - 2017: $2,394,820
  - 2018: $2,385,648

- **Education**
  - 2014: $2,281,520
  - 2015: $1,899,720
  - 2016: $1,989,803
  - 2017: $3,608,435
  - 2018: $3,652,115

- **Total**
  - 2014: $4.5 Million
  - 2015: $4.8 Million
  - 2016: $6.9 Million
  - 2017: $8.6 Million
  - 2018: $8.8 Million

**Notes:**
- The budgeted expenditures for enforcement have increased significantly from 2014 to 2018, with a notable rise in 2016 and 2017.
- Education expenditures have seen a steady increase, reaching $3.652 million in 2018.
- The total budgeted expenditures for marijuana-related activities have grown from $4.5 million in 2014 to $8.8 million in 2018.
Denver 2018 Budgeted Marijuana Expenditures by Department

- Office of Marijuana Policy (Excise and Licenses): 17%
- Community Planning and Development: 5%
- Environmental Health: 7%
- Fire Department: 9%
- Finance: 1%
- Police Department: 14%
- City Attorney's Office: 16%
- Parks and Recreation: 3%
- Children's Affairs: 17%
- Denver Health: 9%
- Behavioral Health: 9%
<table>
<thead>
<tr>
<th>Department</th>
<th>FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Behavioral Health</td>
<td>1</td>
</tr>
<tr>
<td>Children's Affairs</td>
<td>1</td>
</tr>
<tr>
<td>Parks and Recreation</td>
<td>10</td>
</tr>
<tr>
<td>City Attorney's Office</td>
<td>12</td>
</tr>
<tr>
<td>Police Department</td>
<td>11</td>
</tr>
<tr>
<td>Finance</td>
<td>7</td>
</tr>
<tr>
<td>Fire Department</td>
<td>7</td>
</tr>
<tr>
<td>Environmental Health</td>
<td>9</td>
</tr>
<tr>
<td>Community Planning and Development</td>
<td>5</td>
</tr>
<tr>
<td>Office of Marijuana Policy (Excise and Licenses)</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total 2018 FTE</strong></td>
<td><strong>57.93</strong></td>
</tr>
</tbody>
</table>
**Marijuana Workload Analysis (Licensing Workload Example)**

<table>
<thead>
<tr>
<th>Type</th>
<th>Volume</th>
<th>Frequency</th>
<th>Person-Hours Per Inspection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail MJ Centers</td>
<td>123</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Retail MJ Grows</td>
<td>169</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Retail MJ Infused Products</td>
<td>38</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Retail MJ Testing Facilities</td>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>TOTAL HOURS</strong></td>
<td></td>
<td></td>
<td><strong>1336</strong></td>
</tr>
</tbody>
</table>

- **Available Inspection Hours**: 705
- **FTE**: 1.90

- Hours per inspection represents a minimum amount.
- Assumes available inspection hours per FTE of 705. Additional work hours would include re-inspection time, transportation time, summons, litigation, and administrative processing.
- Recommendation to add two through RMJ funds.
<table>
<thead>
<tr>
<th>Type</th>
<th>Volume (Licenses)</th>
<th>Frequency</th>
<th>Person-Hours Per Inspection</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Compliance Inspections</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MJ Centers</td>
<td>302</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>MJ Infused Products</td>
<td>106</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Miscellaneous Inspection/Investigations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MJ Grows</td>
<td>511</td>
<td>.5</td>
<td>4</td>
</tr>
<tr>
<td>MJ Centers</td>
<td>302</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>TOTAL HOURS</strong></td>
<td></td>
<td></td>
<td>3258</td>
</tr>
</tbody>
</table>

Available Inspection Hours 705

FTE 4.62

- Hours per inspection represents a minimum amount.
- Assumes available inspection hours per FTE of 705. Additional work hours would include re-inspection time, transportation time, summons, litigation, and administrative processing.
- Miscellaneous Inspection and Investigations represents all of the referrals and complaints that require inspectors to go to a marijuana facility outside of the 2 annual compliance inspections per year.
Finances and Budgeting
City of Portland Cannabis Program

Brandon Goldner
Coordinator, Cannabis Program
The City of Portland receives cannabis revenue from three sources:

- **City of Portland Cannabis Program:** Application and license fees
- **State of Oregon Cannabis Tax:** 17% tax on recreational cannabis
- **City of Portland Cannabis Tax:** 3% tax on recreational cannabis
City of Portland Cannabis Program: Revenue Sources

- Entire Cannabis Program is COST-RECOVERY from application and license fees

<table>
<thead>
<tr>
<th>Category</th>
<th>Initial APPLICATION</th>
<th>Initial and Renewal LICENSE</th>
<th>Renewal APPLICATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Dispensary</td>
<td>$975</td>
<td>$3,500</td>
<td>$750</td>
</tr>
<tr>
<td>Rec. Marijuana Retailer</td>
<td>$975</td>
<td>$4,975</td>
<td>$750</td>
</tr>
<tr>
<td>Rec. Marijuana Retail Courier</td>
<td>$750</td>
<td>$3,500</td>
<td>$500</td>
</tr>
<tr>
<td>Rec. Marijuana Producer</td>
<td>$750</td>
<td>$3,500</td>
<td>$500</td>
</tr>
<tr>
<td>Rec. Marijuana Processor</td>
<td>$750</td>
<td>$3,500</td>
<td>$500</td>
</tr>
<tr>
<td>Rec. Marijuana Wholesaler</td>
<td>$750</td>
<td>$3,500</td>
<td>$500</td>
</tr>
<tr>
<td>Research Certificate Holder</td>
<td>$250</td>
<td></td>
<td>$250</td>
</tr>
<tr>
<td>Laboratory (LUCS ONLY)</td>
<td>$250</td>
<td></td>
<td>$250</td>
</tr>
</tbody>
</table>
City of Portland Cannabis Program: Revenue Sources

• All revenue is received from Application and License Fees for Portland cannabis businesses
  • Funds 7 full-time Cannabis Program staff:
    • Program Coordinator
    • Assistant Program Specialist
    • Lead Code Compliance Officer
    • 3x Code Compliance Officers
    • Administrative Coordinator
  • Also funds all program equipment, work space rent, complaint response, inspections, coordination with State and City, and other costs are incorporated into our budget
  • The Cannabis Program receives NO general fund (except in FY 16) or cannabis tax dollars
  • Revenue does NOT go to any other use besides Cannabis Program expenses

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City of Portland Cannabis Program: Budget

- FY 2016 *(Program began Sept. 30, 2015)*
  - Budget: $370,010  ($227,954 deficit, backfilled by general fund)
  - Revenue: $382,918
  - Expenses: $597,964
- FY 2017
  - Budget: $895,679  ($480,486 surplus)
  - Revenue: $1,314,847
  - Expenses: $834,361
- FY 2018
  - Budget: $895,679
  - Revenue: $188,415  (through Oct. 12, 2017)
  - Expenses: $206,536  (through Oct. 12, 2017)
Cannabis Taxes: State of Oregon and City of Portland

- State of Oregon collects **17% tax** at the point of sale for recreational cannabis and cannabinoid products
  - Oregon does NOT have an additional sales tax for cannabis or any other good
- City of Portland voted on an additional **3% tax** at the point of sale, in addition to the 17% Oregon tax
  - State law allowed local municipalities to request that city residents to approve up to an additional 3% tax
- Consumers therefore pay a **total of 20% tax** on recreational cannabis at the point of sale in Portland (Medical cannabis is not taxed)
Cannabis Taxes: State of Oregon (17%)

- State of Oregon paid out $85M in State cannabis taxes on Oct. 11, 2017
  - Oregon collected $108.6M between Jan. 4, 2016 and Aug. 21, 2017
  - $94.5M was eligible for distribution
  - $9.5M was put toward the Oregon Liquor Control Commissioner (OLCC) for start-up costs
  - Remaining $85M was put toward the following uses:
    - $34M State School Fund (40%)
    - $17M Mental Health and Addiction (20%)
    - $12.75M Oregon State Police (15%)
    - $4.25M Oregon Health Authority (5%)
    - $17M Cities and Counties (10% each)
Cannabis Taxes: City of Portland (3%)

- City of Portland has ~$3M in local cannabis taxes for FY 2018
  - When Portland voters approved the 3% local tax, it was directed to be allocated in the following ways:
    - Drug and alcohol education, treatment, and rehabilitation programs
    - Public safety investments, such as DUII enforcement, paramedics, and street infrastructure that improves safety
    - Support and providing economic opportunity for small businesses, especially women-owned and minority-owned businesses
Cannabis Taxes: City of Portland (3%)

- City of Portland collected ~$3M in local cannabis taxes as for FY 2018
  - The tax revenue for FY 2018 will be allocated in the following ways:
    - **$1,590,000** Vision Zero (goal to have 0 traffic fatalities) projects;
    - **$500,000** ongoing for DUII training and enforcement;
    - **$410,000** ongoing to support the Service Coordination Team, which offers treatment, housing, and wraparound services to the most frequent drug and property crime offenders;
    - **$500,000** for small businesses, especially women-owned and minority-owned businesses to be allocated through an inclusive, community-driven process (see next slide).
Cannabis Taxes: City of Portland Steering Committee

- **$500,000** of Portland’s cannabis tax revenue will be allocated based on the recommendations of a Steering Committee, as described in the previous slide:
  - Convened by Portland Commissioners Amanda Fritz and Chloe Eudaly
  - Will go to support and providing economic opportunity for small businesses, especially women-owned and minority-owned businesses
  - Members include minority cannabis business owners and consultants, a representative from a public defender group, and city staff from Portland’s economic development agency
  - The money will be used for the following efforts, seen through a restorative justice lens:
    - Record-clearing and expungement
    - Small business support for prospective business owners of color
    - Ensuring the money is otherwise helping those communities most impacted by cannabis prohibition
Finances and Budgeting
Nevada Department of Taxation

Deonne E. Contine
Executive Director
Marijuana Revenue Sources
Wholesale Marijuana Tax

- 15% of the fair market value (FMV)
- Paid by cultivation facility
- Cannot be changed for 3 years from date of enactment (November 2019)

Department determines FMV as needed - Tax return provides FMV for the following

<table>
<thead>
<tr>
<th>Item</th>
<th>FMV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small/Popcorn bud</td>
<td>$1,210.00 lb</td>
</tr>
<tr>
<td>Flower</td>
<td>$2,145.00 lb</td>
</tr>
<tr>
<td>Marijuana leaves/Trim/Shake</td>
<td>$ 631.00 lb</td>
</tr>
<tr>
<td>Wet wholes plants</td>
<td>$ 235.00 lb</td>
</tr>
<tr>
<td>Immature (not flowering) plant</td>
<td>$ 10.00 each</td>
</tr>
<tr>
<td>Seeds</td>
<td>$ 6.00 each</td>
</tr>
<tr>
<td>Pre-rolls</td>
<td>$ 3.74 each</td>
</tr>
</tbody>
</table>
Marijuana Revenue Sources
License and Application Fees

One time application fee of $5,000

<table>
<thead>
<tr>
<th>Facility Type</th>
<th>Initial License Fee</th>
<th>Renewal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Store</td>
<td>$20,000</td>
<td>$6,600</td>
</tr>
<tr>
<td>Cultivation</td>
<td>$30,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>$10,000</td>
<td>$3,300</td>
</tr>
<tr>
<td>Distributor</td>
<td>$15,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Testing Lab</td>
<td>$15,000</td>
<td>$5,000</td>
</tr>
</tbody>
</table>
Marijuana Revenue Sources
Retail Tax & Other

Retail Marijuana Tax (Adult-Use Only)
- 10% at retail on adult-use (no 10% on medical cardholders). Legislative-enacted, effective 7/1/17

Other Revenue
- Assessment on licensee for time and effort
- Agent cards
- Medical marijuana license renewals
- Civil penalties
Marijuana Revenue Distribution

• **15% Wholesale Tax:**
  − Pay the costs of the Department
  − Each locality
  − Remaining money to the State Distributive School Account (DSA)
    > GF makes up any amounts budgeted for education that the DSA cannot fund

  *2017 legislature deemed $5,000,000 per year from 15% excise taxes to be sufficient to pay the costs of localities to carry out the provisions of state law relating to the sale of marijuana for medical or other use*

• **License and renewal fees** and other revenue fees and assessments to DSA

• **10% Retail Tax** to Account to Stabilize the Operation of the State Government (rainy day fund)
Marijuana Revenue Projections

• Medical projections based on number of cardholders and actual sales
  – Total collected over course of the medical program (7/31/15-6/30/17) - $4,563,551

• Initial adult-use projections (FY 18/19) based on consensus forecast of legislative and executive branch economists
  – Relative information from other states – mostly CO
  – Gallup poll on U.S. marijuana consumption
  – RCG Economics Report on Adult-Use in Nevada prepared for initiative proponents
  – State demographic information
  – State visitor volume

• Analyzing data for future projections
# Marijuana Revenue Projections

<table>
<thead>
<tr>
<th>Month</th>
<th>15% Wholesale Excise Tax Consensus Estimate</th>
<th>10% Retail Excise Tax Consensus Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Jul-17</td>
<td>$547,900</td>
<td>-</td>
</tr>
<tr>
<td>Aug-17</td>
<td>$1,906,800</td>
<td>$2,151,000</td>
</tr>
<tr>
<td>Sep-17</td>
<td>$1,944,800</td>
<td>$2,211,200</td>
</tr>
<tr>
<td>Oct-17</td>
<td>$2,036,200</td>
<td>$2,299,000</td>
</tr>
<tr>
<td>Nov-17</td>
<td>$1,988,700</td>
<td>$2,233,800</td>
</tr>
<tr>
<td>Dec-17</td>
<td>$2,020,000</td>
<td>$2,251,800</td>
</tr>
<tr>
<td>Jan-18</td>
<td>$2,098,800</td>
<td>$2,377,600</td>
</tr>
<tr>
<td>Feb-18</td>
<td>$2,031,600</td>
<td>$2,341,300</td>
</tr>
<tr>
<td>Mar-18</td>
<td>$2,279,600</td>
<td>$2,607,400</td>
</tr>
<tr>
<td>Apr-18</td>
<td>$2,243,500</td>
<td>$2,580,600</td>
</tr>
<tr>
<td>May-18</td>
<td>$2,354,800</td>
<td>$2,683,400</td>
</tr>
<tr>
<td>Jun-18</td>
<td>$2,391,100</td>
<td>$2,746,600</td>
</tr>
<tr>
<td><strong>FY18</strong></td>
<td><strong>$23,843,800</strong></td>
<td><strong>$26,483,700</strong></td>
</tr>
</tbody>
</table>

*No revenue estimated from recreational marijuana for July 2017 due to uncertainty of local governments issuing permits.*
Marijuana Revenue Projections

10% Retail Marijuana Tax
Fiscal Year 2018

Estimated vs. Actual Revenue Projections for Fiscal Year 2018:

- **Estimated** Revenue Projections:
  - July: $2,000,000
  - August: $3,000,000
  - September: $3,000,000
  - October: $3,000,000
  - November: $3,000,000
  - December: $3,000,000
  - January: $3,000,000
  - February: $3,000,000
  - March: $3,000,000
  - April: $3,000,000
  - May: $3,000,000
  - June: $3,000,000

- **Actual** Revenue Projections:
  - July: $2,000,000
  - August: $5,000,000
  - September: $3,000,000
  - October: $3,000,000
  - November: $3,000,000
  - December: $3,000,000
  - January: $3,000,000
  - February: $3,000,000
  - March: $3,000,000
  - April: $3,000,000
  - May: $3,000,000
  - June: $3,000,000

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Marijuana Revenue Projections

15% Wholesale Marijuana Tax
Fiscal Year 2018

Marijuana Revenue Projections

THANK YOU TO OUR SPONSORS

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MAXIMUS
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QUESTIONS?