



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

April 1, 2016

The Honorable Millie Hamner
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 12-43.4-104 (6) C.R.S. 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 2016 report 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 the 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. Susan Liddle, Manager of Library Services, Colorado Legislative Services
Mr. Erik Scheminski, Deputy Director, Governor's Office of State Planning and Budget
Mr. Andrew Freedman, Director, Governor's Office of Marijuana Coordination

Joint Budget Committee Members:
Senator Kent Lambert, 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
House and Senate Finance Committees of
the Colorado General Assembly
April 1, 2016**

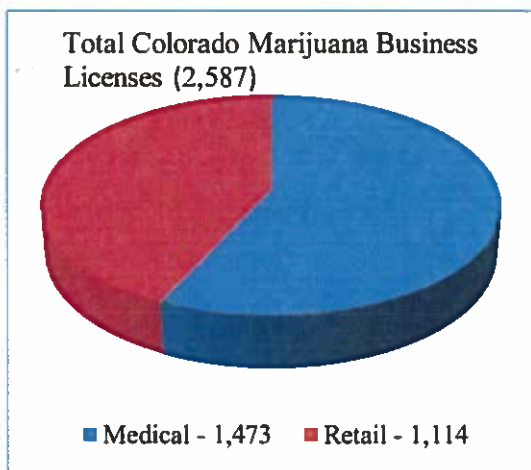
(a) The Progress that the State Licensing Authority is making in processing licenses;

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

As of December 31, 2015, there were 242 MED licensed Stores, 514 Cultivations, 168 Product Manufacturers and 17 Testing Facilities for a total of 941 Retail Marijuana Business Licensees.

Since the Division began accepting applications for Retail Marijuana businesses, on October 1, 2013, we have received and processed 1,371 Retail Marijuana Business Applications; of those initial applications 1,249 (91%) were initially approved - please note that this category includes revoked, expired and surrendered licenses. Nine of the applications were denied (1%), and 113 applications were withdrawn from consideration by the applicant (8%).

(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;



At the close of Calendar Year (CY) 2015, MED Licensed Retail Marijuana businesses represented 43% of the 2,587 commercial regulated marijuana licenses operating within Colorado.

The Retail Marijuana Market saw an increase in demand from CY 2014 to CY 2015; 106,932 pounds of raw retail marijuana flower were sold in CY 2015, an increase of 177% from the 38,660 pounds sold in CY 2014. The number of individual units of retail infused edible products sold was 5,280,297 in CY 2015, an increase of 85% from the 2,850,733 sold in CY 2014.

Finally, in CY 2015 retail stores sold 801,215 individual units of retail infused non-edible products, an increase of 123% from the 359,412 sold in CY 2014.

The Division has contracted with the University of Colorado, Leeds School of Business, Business Research Division (CU BRD) to conduct a 2016 Marijuana Market Report, which is currently underway. CU BRD is the same group that conducted the 2014 Market Demand Study; a copy of the 2014 study is available at www.colorado.gov/pacific/enforcement/forms-publications-marijuana-enforcement-division.

(c) Detailing the amount of revenue generated by Medical and Retail Marijuana businesses, 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		
Revenue Generated by		
Marijuana Fees and Taxes		
	FY 2014-15	FY 2015-16
	Fiscal Year Ended	Five-months Ended
	June 30, 2015	Nov 30, 2015¹
Revenue:		
Medical:		
Medical License and Application Fees	\$ 6,305,990	\$ 2,468,269
Medical Marijuana Sales Taxes (2.9% rate) ²	10,409,340	5,218,824
Subtotal Medical	\$ 16,715,330	\$ 7,687,093
Retail:		
Retail License and Application Fees	\$ 4,314,920	\$ 2,560,183
Retail Marijuana Sales Taxes (2.9% rate) ²	11,816,410	7,608,506
Retail Marijuana Special Sales Taxes (10% rate) ²	42,017,798	26,209,708
Retail Marijuana Excise Taxes (15% rate) ²	23,995,775	14,733,948
Subtotal Retail	\$ 82,144,903	\$ 51,112,345
Occupational License and Application Fees	\$ 3,121,016	\$ 1,526,283
Fines	\$ 733,000	\$ 381,350
Interest Income	\$ 523,896	\$ 487,799
Total Revenue	\$ 103,238,145	\$ 61,194,870

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.

State of Colorado
Expense Incurred by the
Marijuana State Licensing Authority

	FY 2014-15	FY 2015-16
	Fiscal Year Ended June 30, 2015	Five-months Ended Nov 30, 2015 ¹
Expenditures:		
Executive Director's Office		
Personal Services	\$ 217,489	\$ 95,345
Operating	28,107	28,655
Postage	2,431	-
Leased Space	388,596	166,250
Common Policies: Department of Personnel and Administration	124,060	107,992
Common Policies: Governor's Office of Information Technology	293,397	161,568
Legal Services	701,597	145,578
Subtotal Executive Director's Office	\$ 1,755,677	\$ 705,388
Enforcement Business Group		
Enforcement Business Group Administration	238,149	198,909
Marijuana Enforcement Division	5,316,667	2,201,727
Subtotal Enforcement Business Group	\$ 5,554,816	\$ 2,400,636
Taxation Business Group		
Tax Audit & Compliance	683,918	242,785
Taxpayer Services	180,806	74,294
Subtotal Taxation Business Group	\$ 864,724	\$ 317,079
Indirect Cost Assessment		
Indirect Costs	414,853	151,041
Subtotal Indirect Cost Assessment	\$ 414,853	\$ 151,041
Total Expenditures	\$ 8,590,070	\$ 3,574,144

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;

In 2015, the MED received 135 applications for full conversion of a Medical Marijuana Business to a Retail Marijuana Establishment; 57 Medical Marijuana Centers to Retail Marijuana Stores, 57 Medical Marijuana Cultivations to Retail Marijuana Cultivations, and 21 Medical Marijuana Infused Product Manufacturers to Retail Marijuana 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;

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

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

Retail Marijuana business owners frequently own and operate Medical Marijuana businesses. Many of these operations consist of co-located licenses of different types (center/store, cultivation or infused product manufacturer) operating at a single physical location. Therefore, these medical and retail operations are commonly linked. In CY 2015, the Division conducted 1,646 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 not only allows the Division to identify enforcement and compliance issues through a variety of methods, it also reminds our licensees that failure to comply in any one area may lead to greater scrutiny and allow the Division to uncover other non-compliant activity. Consistent monitoring of our licensees' operations leads to greater compliance across the industry as a whole.

The following administrative actions were issued by the State Licensing Authority in CY 2015:

- 34 Assurances of Voluntary Compliance; affecting 81 total licenses
- 21 Notices of Denial; affecting 28 total licenses
- 53 Orders to Show Cause; affecting 162 total licenses
- 7 Revocation Orders; affecting 38 total licenses
- 25 Summary Suspensions; affecting 49 total licenses
- 58 Stipulation, Agreement and Orders; affecting 226 total licenses