

What a Fiscal Analyst Needs to Know about Recreational Marijuana – Experience from Colorado



2014 NCSL FISCAL ANALYSTS SEMINAR

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What does a Fiscal Analyst Need to Know?

- Tax structure in Colorado
- Estimating demand
- Supply of marijuana
- Revenue estimates and tax data
- Surprises!



Colorado Tax Structure

- Special sales tax – 10% of sale price
- Excise tax – 15% of wholesale price

and

- 2.9% state sales tax on both medical and recreational marijuana



Estimating Demand

- Total market marijuana = price x consumption
- Prices = based on medical marijuana
- Total consumption = MJ users x avg. annual consumption
- Visitor consumption



Estimating Demand

- State Population
- Usage rate from federal survey
 - SAMSHA – Substance Abuse and Mental Health Services Administration, National Survey on Drug Use and Health
- About 500,000 MJ users



Estimating Demand

- Average annual usage
 - survey data – 6.5 ounces per year
- We assumed 3.5 ounces per year

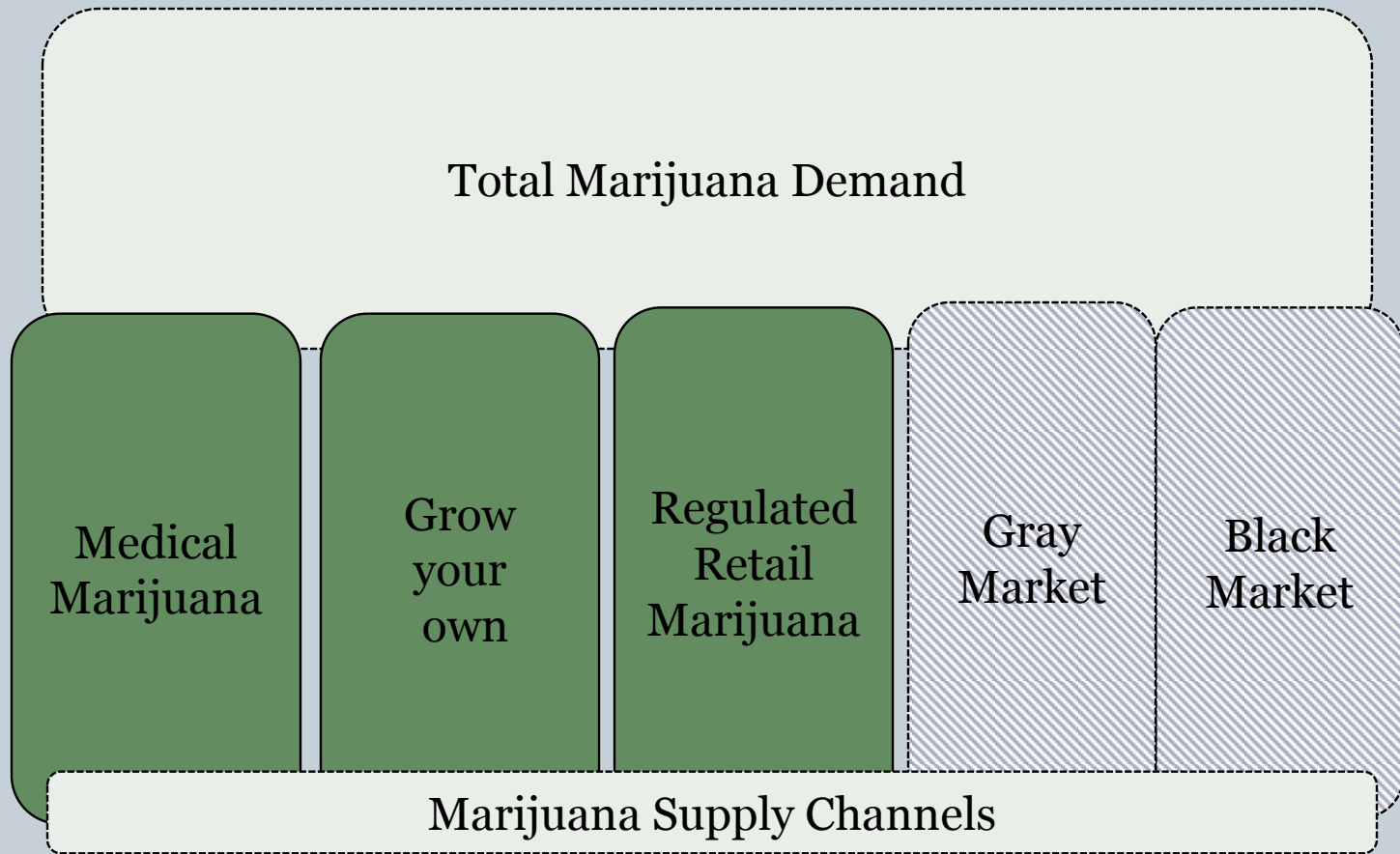


Estimating Demand

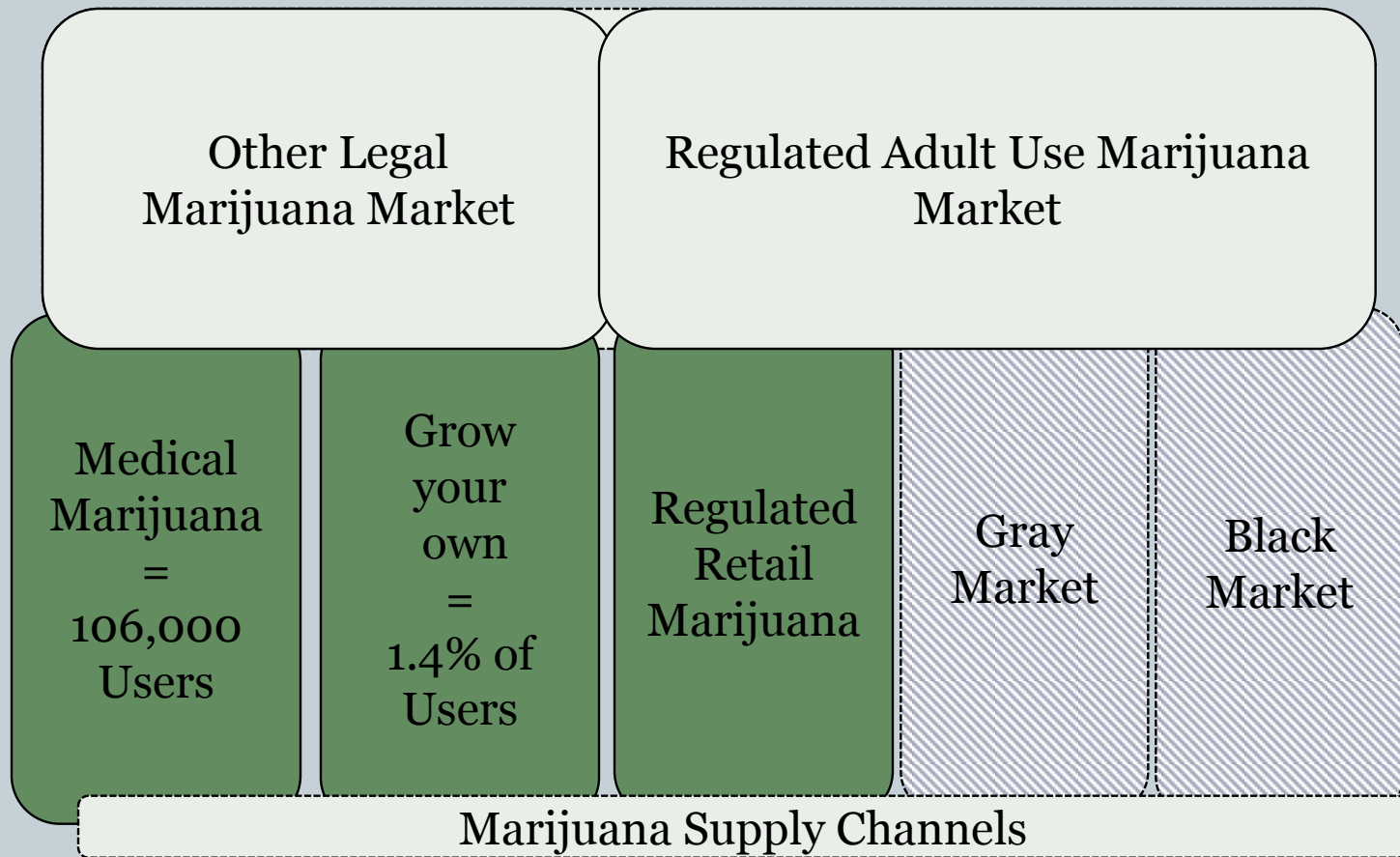
- Visitor consumption
 - Colorado visitors x national usage rate x \$20 (1 gram)
 - Visitors to Amsterdam purchased between \$20 and \$40 per visit



Supply of Marijuana



Supply of Marijuana



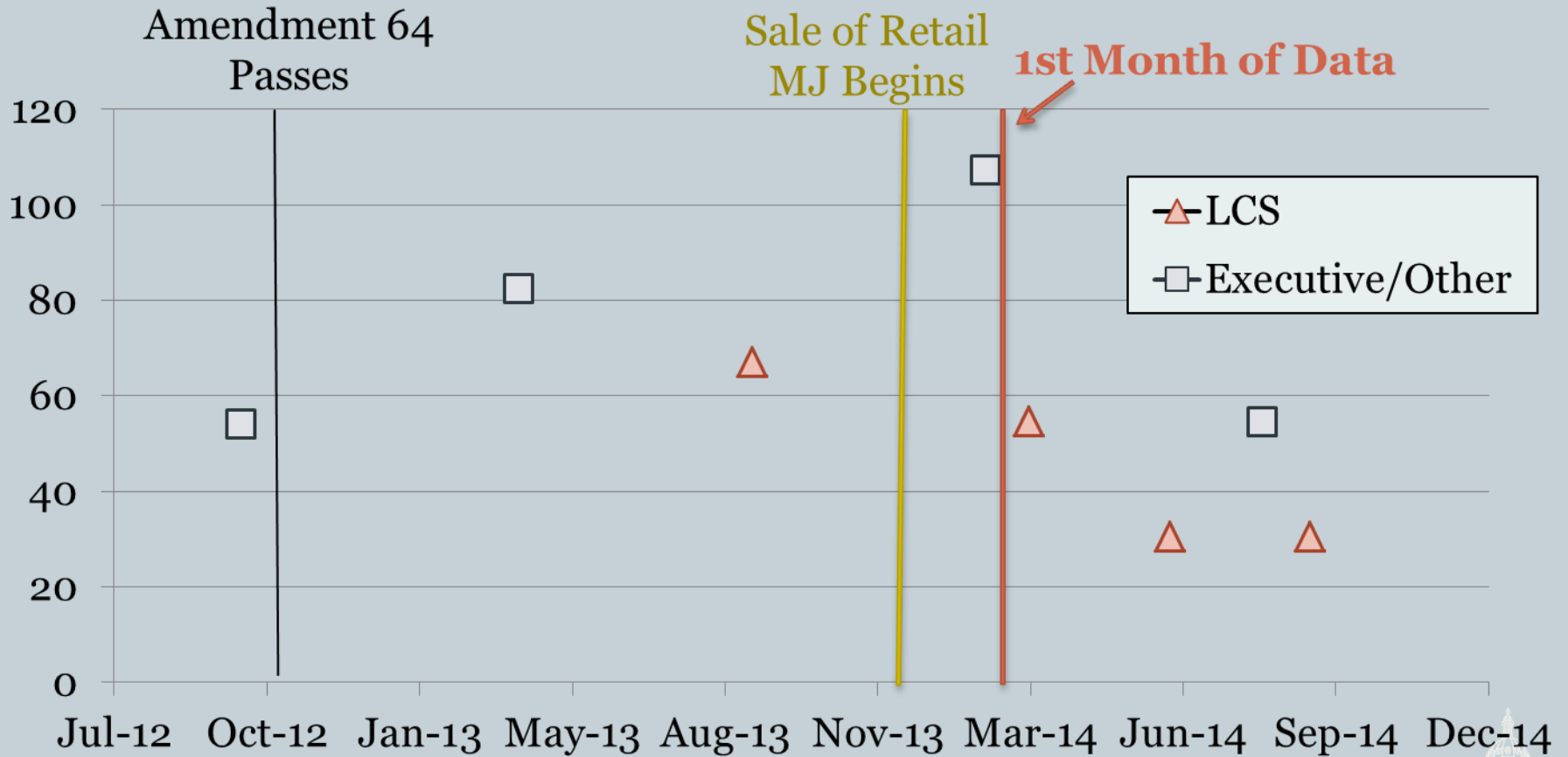
Revenue Estimates

Legislative Council Estimates	FY 2013-14	FY 2014-15
Blue Book	\$33.5 Million	\$67.0 Million
March Forecast	\$22.7 Million	\$54.7 Million
June Forecast	\$15.9 Million	\$30.6 Million
September Forecast	\$15.5 Million	\$30.5 Million
Actuals	\$15.5 Million	



Revenue Estimates

FY 2014-15 Retail Marijuana Revenue Estimates Over Time



Surprises!

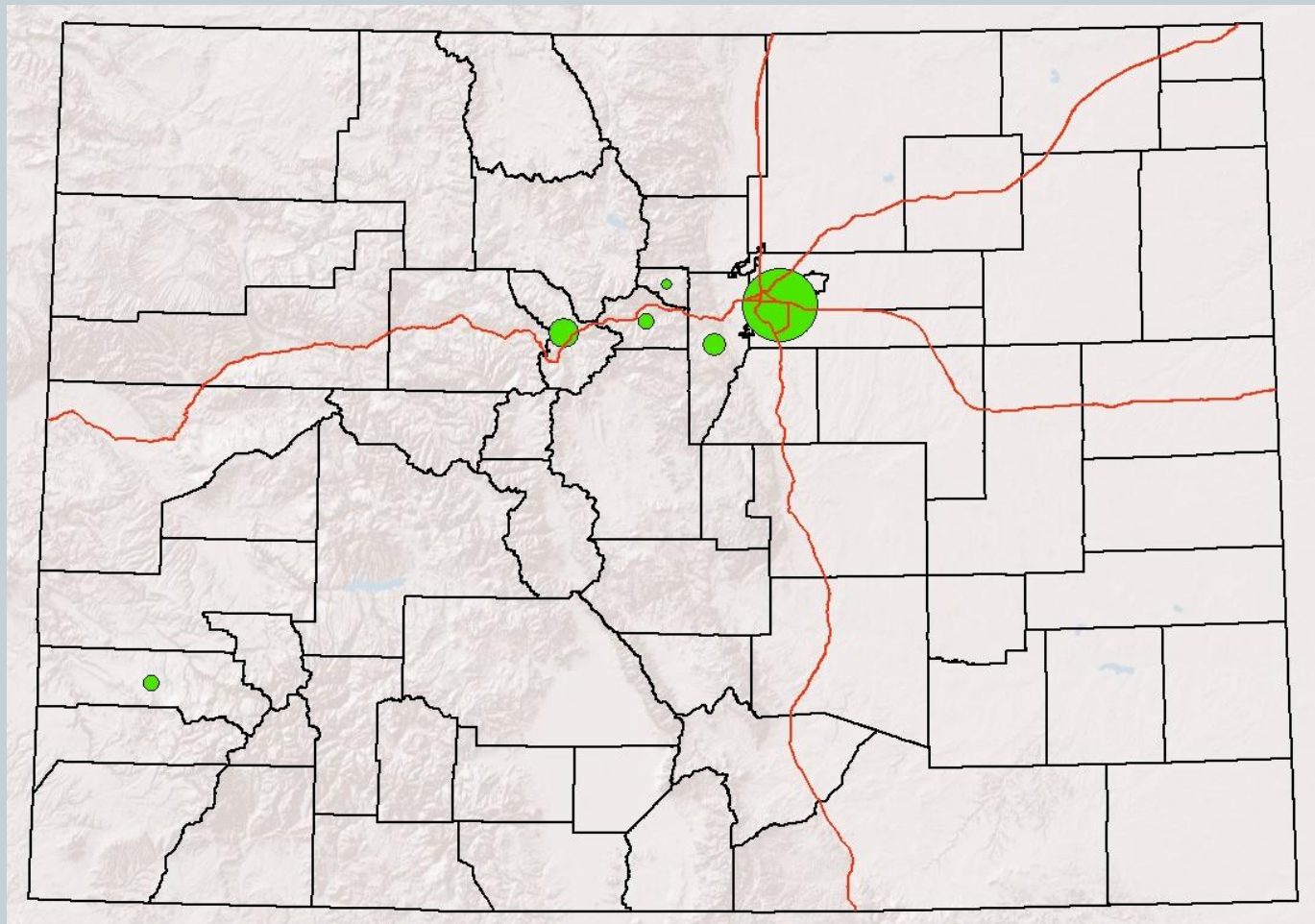
Revenue surprises

- One-time transfer of retail products
- Only some local governments allow retail sales
- Retail marijuana did not cannibalize medical



Surprises!

Retail Marijuana Sales, January 2014

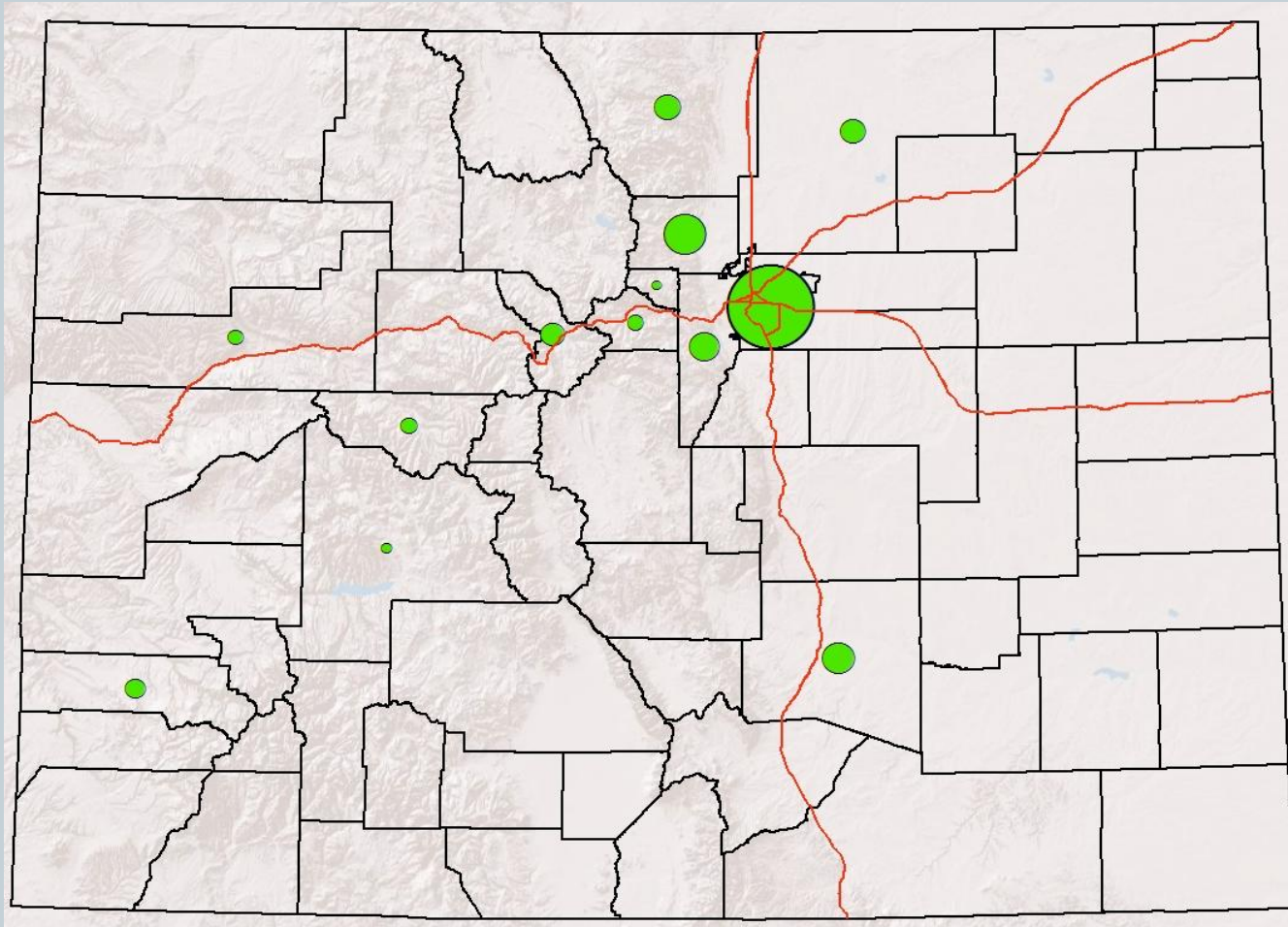


Source: Colorado Department of Revenue, Map Compiled by LCS



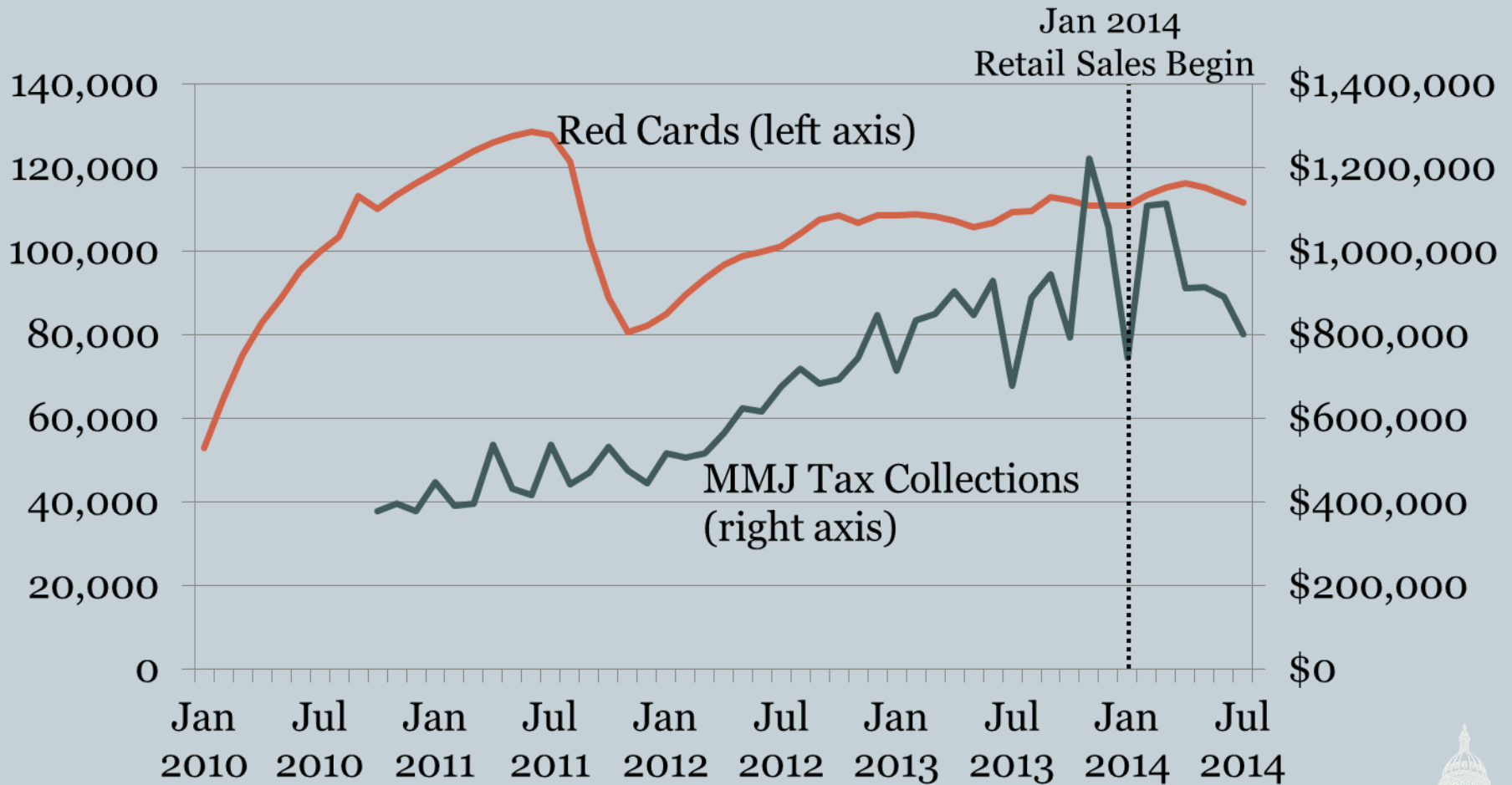
Surprises!

Retail Marijuana Sales, July 2014



Surprises!

Red Cards and Medical Marijuana Sales Tax Collections



Surprises!

Revenue surprises

- One-time transfer of retail products
- Only some local governments allow retail sales
- Retail marijuana did not cannibalize medical

... Still, regulated retail marijuana consumption did not meet expectations.



Surprises!

- Were initial estimates reasonable?
- Black market?
- Gray market?

... but, the regulated retail marijuana sales are still growing month/month.



Surprises!

Other Surprises or Lessons

- Units of consumption
- Labeling and packaging of edibles
- Demand for edibles
- Price differential between retail and medical MJ
- Communicating estimates

