

## **MARIJUANA REVENUE AND THE COST OF REGULATION IN COLORADO**

*Marijuana revenue covers regulatory costs and provides funding for beneficial programs and services*

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### **Background**

Colorado's medical and adult-use marijuana industries are subject to taxes<sup>1</sup> and fees<sup>2</sup> that generate revenue for the state. Excluding shares earmarked for local governments<sup>3</sup> and public school construction<sup>4</sup>, marijuana taxes are transferred into the Marijuana Tax Cash Fund (MTCF) and all fees are transferred to the Marijuana Cash Fund (MCF). Cash fund moneys are appropriated annually for state marijuana enforcement and other statutorily approved purposes<sup>5</sup>.

The Marijuana Enforcement Division (MED) is responsible for licensing and regulating medical and adult-use marijuana industries, as well as enforcing state laws and regulations regarding marijuana. The MED receives all annual funding from the MCF and MTCF.

### **Fiscal Year 2014-15: Revenues and Expenditures<sup>6</sup>**

Total Marijuana Taxes and Fees Collected: \$102,395,176

Combined Cash Fund Transfers: \$71,925,146<sup>7</sup>

MED Expenditures (Regulation and Enforcement): \$5,149,028

Cash Fund Revenue Remaining: \$66,776,118

### **Fiscal Year 2015-16: Revenues and Appropriations<sup>8</sup>**

Total Marijuana Taxes and Fees Collected: \$156,701,018

Combined Cash Fund Transfers: \$104,117,292<sup>9</sup>

MED Appropriation (Regulation and Enforcement): \$8,064,469

Cash Fund Revenue Remaining: \$96,052,823

### **Discussion**

Excluding moneys reserved for other purposes, marijuana taxes and fees exceeded \$71 million in FY 14-15 and \$104 million in FY 15-16. MED expenditures depleted around 7% of available marijuana revenue in both fiscal years. **Colorado's direct cost of marijuana regulation is not only covered by marijuana taxes and fees, but by a very small portion of the annual revenue marijuana brings to the state.** The remainder is used to cover administrative and indirect costs, marijuana-related programs and activities, like marijuana tax code implementation, law enforcement DUID training, studies of marijuana health effects, and public education and prevention campaigns, and a variety of beneficial programs unrelated to marijuana, like a youth corrections program, adult jail-based behavioral health services, and grant programs.

**This demonstrates that, even in an emerging market, marijuana revenue can be sufficient to cover the direct cost of regulation and enforcement as well as provide funding for beneficial programs and services.**

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<sup>1</sup> Marijuana Taxes: 2.9% state sales tax applied to medical and adult-use sales; 10% special adult-use marijuana sales tax; 15% wholesale adult-use marijuana excise tax

<sup>2</sup> Application and license fees

<sup>3</sup> A 15% share of revenue from the 10% special sales tax on adult-use marijuana is reserved for distribution to participating local governments.

<sup>4</sup> The first \$40.0 million in annual revenue from the 15% excise tax is transferred to the Public School Capitol Construction Assistance Fund.

<sup>5</sup> 39-28.8-501(2)(b)(IV), C.R.S.

<sup>6</sup> Colorado General Assembly Joint Budget Committee, FY 2016-17 Staff Budget Briefing Department of Revenue

<sup>7</sup> Marijuana Cash Fund (fees): \$14,155,854; Marijuana Tax Cash Fund (taxes not otherwise reserved): \$57,769,292

<sup>8</sup> FY 2015-2016 revenue figures cover the July 2015 through June 2016 reporting period. May sales are reported in June. Retrieved from:

<https://www.colorado.gov/pacific/sites/default/files/0516%20Marijuana%2C%20Tax%2C%20License%2C%20and%20Fees%20Report%20SPREADSHEET.xlsx>

<sup>9</sup> Marijuana Cash Fund (fees): \$15,414,076; Marijuana Tax Cash Fund (taxes not otherwise reserved): \$88,703,216