



DENVER
THE MILE HIGH CITY

Retail Marijuana Sales Tax

Government & Finance Committee
June 11, 2014



Retail Marijuana January – March 2014

	Rate	Jan-14	Feb-14	Mar-14
Standard Sales and Use Tax Rate	3.62%	\$313,336	\$308,171	\$383,622
Retail Marijuana Special Sales and Use Tax Rate	3.50%	\$302,946	\$297,955	\$370,900
TOTAL Retail	7.12%	\$616,282	\$606,123	\$754,522
Medical Sales and Use Tax Rate	3.62%	\$520,041	\$522,058	\$569,937

- Our current forecast for new marijuana revenue totals \$5m with the Special RMJ sales and use revenue experience at \$3.5m; the State share back of ~\$130,000/month or \$1.5m of annual collections if our experience remains constant.
- Licensing was budgeted to generate \$1.4m in 2014. This revenue was used to fund the first phase of marijuana staffing in 2014.
- Currently, Denver is not forecast to hit the TABOR limit on the new 3.5% retail tax rate. (\$4.48M limit)
- We should monitor collections throughout the year and continue to revise this forecast.

Number of marijuana facilities*

Type	Current	Current+Pending	Potential
Retail MJ Center	75	123	288
Retail MJ Grow	94	169	482
Retail MJ Infused Products	22	38	90
Retail MJ Testing Facility	3	4	4
All	194	334	864

Current Businesses that currently have a valid Retail Marijuana License

Pending Businesses that applied and qualify for a Retail Marijuana License and are somewhere in the process of receiving one

Potential Current Medical Marijuana Facilities that are legally eligible to convert to or add a Retail Marijuana business

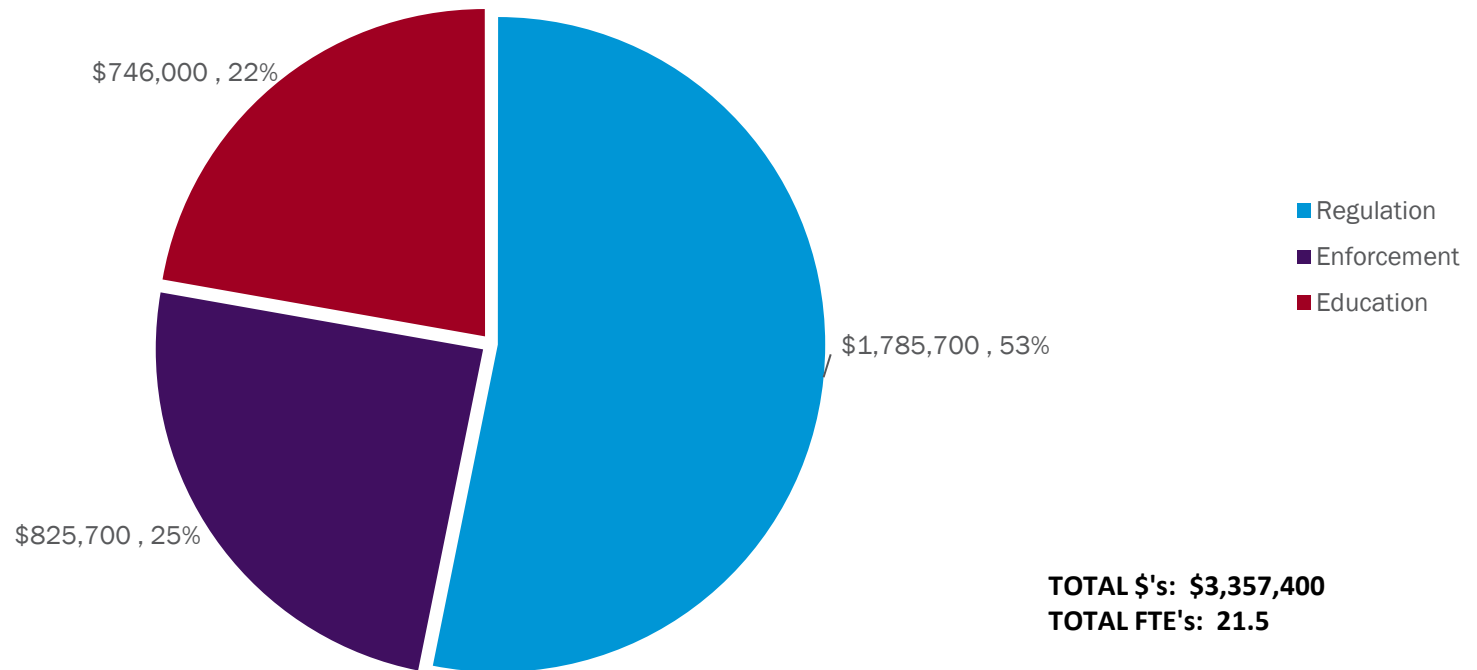
*As of 4/18/2014

Type	Volume	Frequency	Person- Hours Per Inspection
Retail MJ Centers	123	2	2
Retail MJ Grows	169	2	2
Retail MJ Infused Products	38	2	2
Retail MJ Testing Facilities	4	2	2
TOTAL HOURS			1336
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.

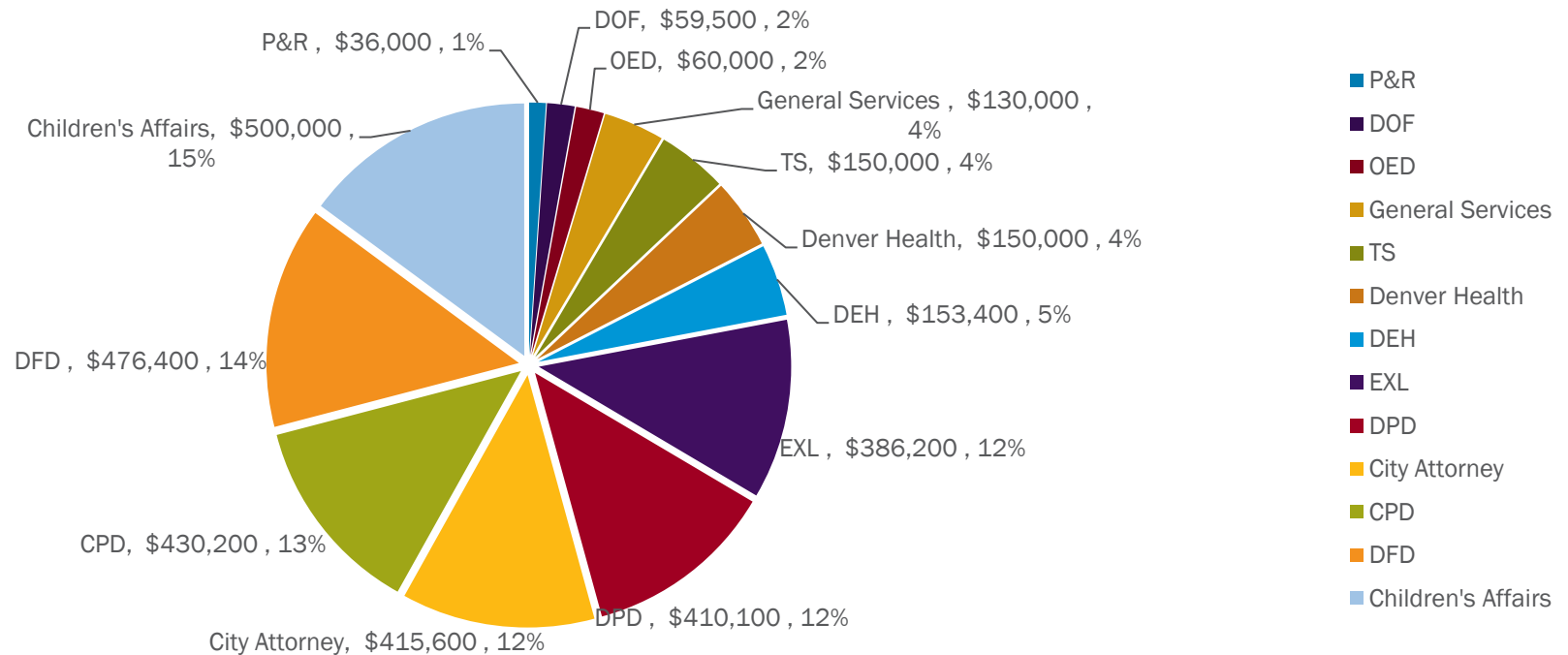
Overview of Recommendations

Recommendations-By priority



Overview of Recommendations

Recommendations-By Department



TOTAL \$'s: \$3,357,400

TOTAL FTE's: 21.5

The following agencies have a need for services related to the Regulation of retail marijuana:

Community Planning & Development (CPD): \$430,200

- 2 additional inspectors in the Building Department
- 1 additional inspector in NIS
- 1 additional accounting assistant for cashiering and reconciliation
- 1 additional ASA IV position to support the inspection teams

Excise & Licenses (EXL):\$386,200

- 3 additional positions to support the Citywide Marijuana program , including a project management contract and additional equipment, supplies and mileage

Environmental Health (DEH): \$153,400

- Additional inspectors in the Public Health Inspections Unit for food safety inspections on Marijuana Infused Products (MIP's)
- 1 marijuana grow facility inspector (non-general fund position, existing limited position will be extended, not included in the numbers above or in the chart)

Fire (DFD): \$476,400

- 3 additional fire technician inspectors
- 1 additional part-time fire protection engineer
- 1 additional ASA IV position to support the inspection teams

Technology Services (TS): \$150,000

- Contracted resources to aggregate marijuana related data into a warehouse and create an operational dashboard

Finance (DOF): \$59,500

- Additional tax technician to ensure proper licensure, interagency tracking and tax education to RMJ businesses

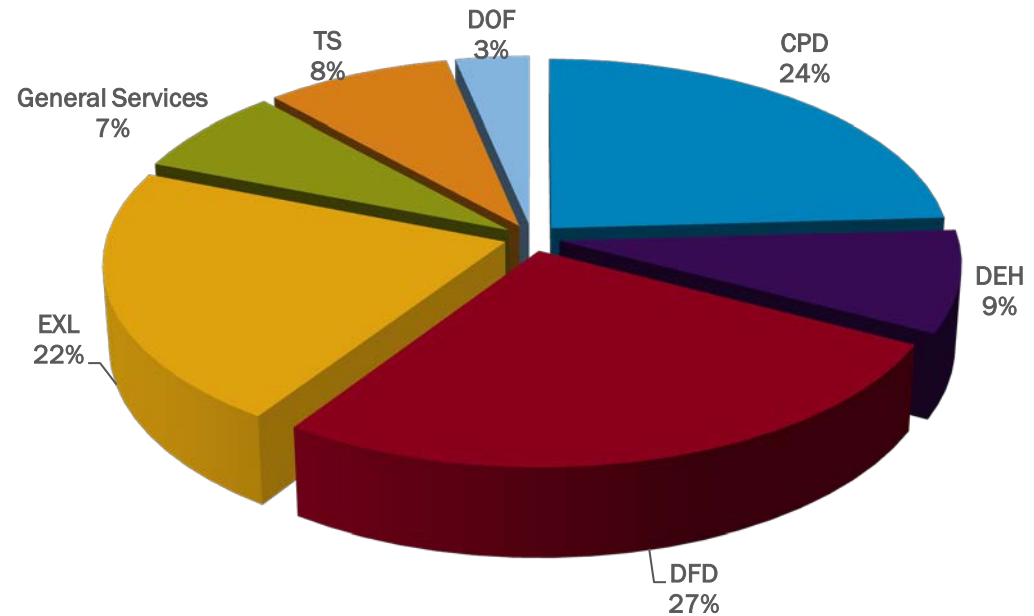
General Services: \$130,000

- Additional cameras and security in the Webb building

Regulation

\$1,785,700

FTE's: 15.5



The following agencies have a need for services related to the enforcement of regulations governing retail marijuana:

City Attorney's Office: \$415,600

- Assistant Director to be the single point of contact and expert for Citywide legal analysis and guidance on issues and questions related to marijuana
- Assistant City Attorney to work civil suits
- Legal Secretary to support the Assistant Director
- Legal Fellows to field and research legal issues regarding marijuana
- 1 additional Airport Legal Services attorney to monitor changes in TSA and FAA policy regarding marijuana and other marijuana legal issues (\$86,925, non-general fund, not included in the numbers above or in the chart)

Police (DPD): \$410,100

- Detective to be placed in Excise and Licenses to address increased call loads and investigations of retail and grow establishments
- Sergeant for supervision of the marijuana team (including three Excise and Licenses detectives and 1 crime analyst)
- Scientist for the Forensic Chemistry Unit to analyze marijuana from cultivation seizures (weight of marijuana seized increased 985% from Q1 2013 to Q1 2014)
- Storage, transportation and destruction of marijuana from cultivation seizures

Enforcement

\$825,700

FTE's: 6



The following agencies will provide services related to the *Education* impacts of retail marijuana:

The Marketing Office (OED): \$60,000

- Specialized and targeted education efforts to support enforcement, including the “Know the Law” posters and flyers

Parks and Rec (P&R): \$36,000

- Advertising and signage campaign to educate the public on the marijuana laws and regulations within the parks

Denver Health: \$150,000

- Track retail marijuana impacts on health indicators to inform future education efforts

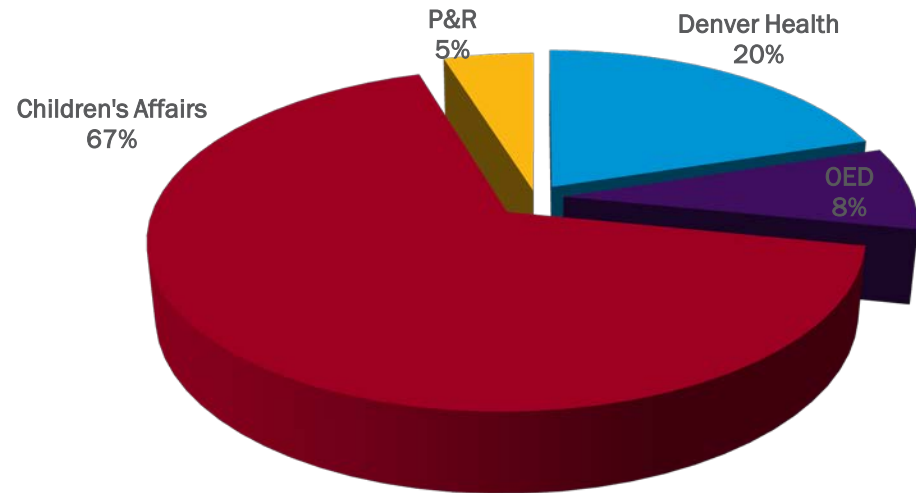
Office of Children’s Affairs: \$500,000

- Youth marijuana prevention campaign

Education

\$746,000

FTE’s: 0



- Developed proposals around education that leverage the work already being done at the state level and the city's successful "Know the Law" campaign.
 - Research, data and experience will continue to inform the focus of the City's education efforts.
 - The education investment will continue to be reassessed in future budgetary processes.
- We felt like there were other substantiated requests but did not have sufficient revenues to fund them or the data necessary to justify the need or methodology.
 - They will also continue to be considered and may be reviewed in future budgetary processes.
- Most of the positions are limited positions with an end date of 12/31/2016. This will allow time to assess the ebbs and flows in this new business process as well as get through the changes that will happen with January 1, 2016.
 - The timing of these positions will also need continual review.
- Scheduled for Government and Finance committee on June 11th (submitted the ordinance request on May 27th)