

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



SUPPLEMENTAL REQUESTS FOR FY 2013-14

DEPARTMENT OF REVENUE

**JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision**

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January 15, 2014**

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TABLE OF CONTENTS

| | Narrative Page | Numbers Page |
|---|---------------------------|-------------------------|
| Department Overview | 1 | N.A. |
| Summary: FY 2013-14 Appropriation and Recommendation | 1 | N.A. |
| Prioritized Supplementals in Department-assigned Order | | |
| S1 – Gaming Payment Intercept Cash Fund | 2 | 8 |
| S2 – Retail Marijuana Sales Tax Distribution to Local Governments | 5 | 9 |
| | | |
| Non-prioritized Supplementals | | |
| Statewide Common Policy Supplemental Requests/Staff Initiated | | |
| Supplemental 1 Statewide Vehicle Lease Payment | 6 | N.A. |
| Non-prioritized Supplemental 2 – Youth Marijuana Education Campaign | 7 | N.A. |
| Totals for All Supplementals | N.A. | 9 |
| | | |
| Appendices | | |
| Numbers Pages | 8 | N.A. |
| Marijuana Revenue Projections Analysis | 10 | N.A. |

DEPARTMENT OF REVENUE

Department Overview

The Department of Revenue is organized into three functional groups: Taxation Business Group; Division of Motor Vehicles; and Enforcement Business Group. The Taxation Business Group collects tax and other revenue for the state and for many local governments and assists taxpayers in tax related matters; the Division of Motor Vehicles regulates and licenses drivers, issues personal identification documents, oversees vehicle inspection stations, and registers and titles vehicles; and the Enforcement Business Group regulates alcohol, tobacco, medical marijuana, horse racing and off-track betting, limited gaming, and motor vehicle dealers and sales persons. The Department also operates the State Lottery, a TABOR enterprise supported by lottery ticket sales. The Department's FY 2013-14 appropriation represents 1.4 percent of statewide operating appropriations and 1.0 percent of statewide General Fund appropriations.

Summary: FY 2013-14 Appropriation and Recommendation

| Department of Revenue: Recommended Changes for FY 2013-14 | | | | | | |
|---|------------------------|-------------------------|-----------------------|---------------------------------|--------------------------|----------------|
| | Total Funds | General Fund | Cash Funds | Reappropriated Funds | Federal Funds | FTE |
| FY 2013-14 Appropriation | | | | | | |
| SB 13-230 (Long Bill) | \$299,057,894 | \$76,836,412 | \$216,328,381 | \$5,068,713 | \$824,388 | 1,237.6 |
| Other legislation | <u>7,283,699</u> | <u>1,020,392</u> | <u>6,263,307</u> | <u>0</u> | <u>0</u> | <u>15.6</u> |
| Current FY 2013-14 Appropriation | \$306,341,593 | \$77,856,804 | \$222,591,688 | \$5,068,713 | \$824,388 | 1,253.2 |
| Recommended Changes | | | | | | |
| Current FY 2013-14 Appropriation | \$306,341,593 | 77,856,804 | \$222,591,688 | \$5,068,713 | \$824,388 | 1,253.2 |
| S-1 Gaming Payment Intercept Cash Fund | 4,000 | 0 | 4,000 | 0 | 0 | 0.0 |
| S-2 Retail Marijuana Sales Tax Distribution to Local Governments | 2,909,431 | 2,909,431 | 0 | 0 | 0 | 0.0 |
| S-NPI-1 Statewide Vehicle Lease Payment True-up | 0 | 0 | 0 | 0 | 0 | 0.0 |
| S-NPI-2 Youth Marijuana Education Campaign | <u>250,000</u> | <u>0</u> | <u>250,000</u> | <u>0</u> | <u>0</u> | <u>0.0</u> |
| Recommended FY 2013-14 Appropriation | \$309,505,024 | \$80,766,235 | \$222,845,688 | \$5,068,713 | \$824,388 | 1,253.2 |
| Recommended Increase/(Decrease) | \$3,163,431 | \$2,909,431 | \$254,000 | \$0 | \$0 | 0.0 |
| Percentage Change | 1.0% | 3.7% | 0.1% | 0.0% | 0.0% | 0.0% |
| FY 2013-14 Executive Request | \$309,528,352 | \$80,765,844 | \$222,869,407 | \$5,068,713 | \$824,388 | 1,253.2 |
| Request Above/(Below) Recommendation | \$23,328 | (\$391) | \$23,719 | \$0 | \$0 | 0.0 |

Request/Recommendation Descriptions

S-1 Gaming Payment Intercept Cash Fund: The request includes \$29,000 cash funds (Intercept Payment Cash Fund). The recommendation is \$4,000 cash funds.

S-2 Retail Marijuana Sales Tax Distribution to Local Governments: The request includes \$2,909,431 (I) General Fund. The requested appropriation will be included in the General Appropriation Bill for informational purposes and will not be deemed to be an appropriation subject to the limitations of Section 24-75-201.1, C.R.S., or with the limitation on state fiscal year spending imposed by Section 20 of Article X of the State Constitution. The recommendation is \$2,909,431 (I) General Fund.

S-NPI-1 Statewide Vehicle Lease Payment True-up: The request includes a total decrease of \$1,672 spending authority, including a decrease of \$391 General Fund. The recommendation is \$0.

S-NPI-2 Youth Marijuana Education Campaign: The request includes \$250,000 cash funds spending authority (Marijuana Cash Fund) to be reappropriated to the Governor's Office for a statewide youth education campaign about marijuana use. The recommendation for this item is pending the discussion of this request in the Governor's Office supplemental requests on January 24, 2014.

Prioritized Supplemental Requests

SUPPLEMENTAL REQUEST, DEPARTMENT PRIORITY S-1 GAMING PAYMENT INTERCEPT CASH FUND

| | Request | Recommendation |
|--------------|------------------------|-----------------------|
| Total | <u>\$29,000</u> | <u>\$4,000</u> |
| Cash Funds | 29,000 | 4,000 |

| | |
|---|------------|
| Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.] | YES |
| JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made. | |

Department Request: The Department requests \$29,000 cash funds from the Gambling Payment Intercept Cash Fund in FY 2013-14 and beyond for the direct and indirect costs associated with the administration of the Gambling Payment Intercept Act pursuant to Section

24-35-605.5 (2) (b) (II), C.R.S. The spending authority would provide funding to pay the Statewide Internet Portal Authority (SIPA) portal administration fees and maintain and enhance the master intercept repository as needed.

Staff Recommendation: Staff recommends that the Committee approve an appropriation totaling \$4,000 cash funds from the Gambling Payment Intercept Cash Fund in FY 2013-14 and re-consider the appropriation necessary for FY 2014-15 upon reviewing additional information provided by the Department to substantiate additional expenditures from the Payment Intercept Cash Fund.

The reason that staff is not recommending the full amount requested, or \$29,000 cash funds, is because the Department did not provide an analysis showing that it is likely to incur expenditures in FY 2013-14 for enhancements to the master intercept repository.

Staff Analysis:

Background

The Department intercepts tax refunds and lottery and gaming winnings when the recipient owes a debt to the State through the Colorado Department of Human Services (DHS) (child support, public assistance, and child care debts), Colorado State Judicial Branch (restitution and judicial fees, fines, costs, and surcharges), and the Department of Personnel, Central Collection Services. Operational in December 2013, the Department of Revenue's master repository includes information on debts owed to the Lottery, Gaming, Racing, and Taxation divisions. Previously, each division maintained its own distinct intercept program with different formats and intervals. The Department developed a single intercept architecture or master intercept repository in an effort to protect citizens from multiple unintentional intercepts and to ensure data integrity. The master intercept repository is managed by the Deputy Executive Director of the Department of Revenue within the Executive Director's Office.

Currently, for the Limited Gaming Division and Division of Racing Events, casino operators and gaming licensees are required to use the Statewide Internet Portal Authority (SIPA) web-based registry to verify whether the winner of a cash prize payment owes a debt to the State. A cash payment means any award that results from a specific wager for which the licensee is required to file a W -2G form. Once a winner is verified against the registry and found to have an outstanding debt, the licensee deducts the outstanding debt, the licensee compliance cost and other fees, and remits any remaining amount to the winner.

The process outlined above is the result of three pieces of legislation:

- House Bill 07-1349 created the Gambling Payment Intercept Act, which required the Department to create and maintain a registry of persons with unpaid child support debt for DHS, and for casino operators and gaming licensees to withhold cash payments from those who matched the database. The Department promulgated rules to allow a limited gaming and pari-mutuel wagering (racing) licensee to retain \$25 of each payment to cover the costs of compliance with the Gambling Payment Intercept Act. Of the total, \$15

was retained by the licensee and \$10 was transferred to SIP A for its payment processing costs.

- House Bill 09-1137 expanded the Gambling Payment Intercept Act to include debts owed to the Judicial Branch, and added a \$25 fee to each outstanding debt to be deposited in the newly created Gambling Payment Intercept Cash Fund. Moneys in the fund were to be continuously appropriated to the Department to expand the intercept program, and then subject to annual appropriation for the direct and indirect costs associated with the administration of the program pursuant to Section 24-35-605.5 (2) (b) (II), C.R.S.
- Senate Bill 11-051 again expanded the gambling intercept program to include other debts owed to the State certified by DPA, and increased the amount a licensee could retain for compliance costs to at least \$30 of each payment withheld. The Department then promulgated rules that allowed the licensee to retain \$40, of which \$30 was retained by the licensee and \$10 was transferred to SIPA.

Problem

The rules described above in the description for S.B. 11-051 expired in May 2013 because of a ruling from the Committee on Legal Services. In the fall of 2012, the Office of Legislative Legal Services questioned the Department's authority to allow a licensee to retain and transfer the \$10 fee to SIPA. On January 8, 2013, the Department presented this issue to the Committee on Legal Services, and they agreed that the Department does not have this authority. The Committee recommended that, rather than require the licensee to transfer the payment to SIPA, the Department seek spending authority to pay SIPA the \$10 fee for its payment processing costs from the Gambling Payment Intercept Cash Fund.

To date, money has not been appropriated to the Department from the Gambling Payment Intercept Cash Fund for expansion of the program or to pay direct and indirect costs of administering the program, as authorized in Section 24-35-605.5 (2) (b) (II), C.R.S.

Effective May 15, 2013, upon expiration of the rule, SIPA began invoicing the Department \$10 per intercept for portal administration fees. Since the Department does not have spending authority to use the Gambling Payment Intercept Cash Fund, the monthly invoices are paid with General Fund. The Department has absorbed the cost of SIPA's portal administration fees for part of May and all of June 2013 for a total of \$400 during FY 2012-13. The Department has paid a total of \$1,190 for the first four months of FY 2013-14, and expects to pay a total of \$4,000 to SIPA by the end of FY 2013-14. The Department anticipates the number of intercepts to increase in the succeeding years as a result of expanding the program in December 2013 to include fees associated with the Department of Personnel's Central Collections operations. The FY 2011-12 Gambling Payment Intercept Cash Fund balance was \$11,350, and the FY 2012-13 fund balance was \$20,128. As of October 31, 2013, the fund balance is \$23,054.

**SUPPLEMENTAL REQUEST, DEPARTMENT PRIORITY (LETTER)
JANUARY 2, 2014 LETTER TO THE JOINT BUDGET COMMITTEE:
RETAIL MARIJUANA SALEX TAX DISTRIBUTION TO LOCAL
GOVERNMENTS.**

| | Request | Recommendation |
|--------------|---------------------------|---------------------------|
| Total | <u>\$2,909,431</u> | <u>\$2,909,431</u> |
| General Fund | 2,909,431 | 2,909,431 |

| | |
|---|------------|
| Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.] | YES |
| JBC staff and the Department agree that this request is the result of the Passage of Proposition AA on November 5, 2013. | |

Department Request: The Department requests \$2,909,431 (I) General Fund in FY 2013-14 within the Taxation Business Group, Special Purpose within a new line item titled "Retail Marijuana Sales Tax Distribution to Local Governments". This line item is requested in order to provide a mechanism for distribution of retail marijuana sales tax collections to local governments for informational purposes pursuant to Section 39-28.8-203 (1) (a) (V), C.R.S.

The Department also requests an appropriation totaling \$9,191,790 (I) General Fund for FY 2014-15, however, the Department states that as the Department's revenue projection model is refined and updated, the amounts reflected in the Long Bill will need to be updated to reflect more recent projections.

Staff Recommendation: Staff recommends that the Committee approve the Department request and provide a FY 2013-14 appropriation totaling \$2,909,431 (I) General Fund in the Taxation Business Group, Special Purpose, in a new line item titled " Retail Marijuana Sales Tax Distribution to Local Governments".

Staff also recommends that a new letternote be included for this line item to state the following:

"Pursuant to Section 39-28.8-203 (1) (a) (V), C.R.S., this amount is included in the General Appropriation Bill for informational purposes and shall not be deemed to be an appropriation subject to the limitations of Section 24-75-201.1, C.R.S., or with the limitation on state fiscal year imposed by Section 20 of Article X of the State Constitution."

Staff Analysis:

Section 39-28.8-203 (1) (a) (I), C.R.S., states:

"(1) The proceeds of all moneys collected from the retail marijuana sales tax shall be credited to the old age pension fund created in section 1 of article XXIV of the state

constitution in accordance with paragraphs (a) and (f) of section 2 of article XXIV of the state constitution. For each fiscal year in which a tax is collected pursuant to this part 2, an amount shall be distributed from the general fund as follows:

(a) (I) An amount equal to fifteen percent of the gross retail marijuana sales tax revenues collected by the department shall be apportioned to local governments."

Section 39-28.8-203 (1) (a) (V), C.R.S., states:

"(V) Moneys apportioned pursuant to this paragraph (a) shall be included for informational purposes in the general appropriation bill or in supplemental appropriation bills for the purpose of complying with the limitation on state fiscal year spending imposed by section 20 of article X of the state constitution and section 24-77-103, C.R.S."

Marijuana Revenue Projections

The Department provided an updated marijuana projection analysis (see attachments at the end of this document). According to the Department's latest projection, the 10.0 percent marijuana sales tax revenues for FY 2013-14 are going to total \$19,396,207 and for FY 2014-15 marijuana sales tax revenues are going to total \$61,278,600.

Non-prioritized Supplemental Requests

JBC STAFF-INITIATED SUPPLEMENTAL #1/STATEWIDE COMMON POLICY SUPPLEMENTAL #1 STATEWIDE VEHICLE LEASE PAYMENT TRUE-UP

| | Request | Recommendation |
|--------------|-------------------------|-------------------|
| Total | <u>(\$1,672)</u> | <u>\$0</u> |
| General Fund | (391) | 0 |
| Cash Funds | (1,281) | 0 |

| | |
|--|------------|
| <p>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]</p> | YES |
| <p>JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made.</p> | |

Department Request: The Department did not request this adjustment; this is a non-prioritized statewide common policy supplemental request from the Department of Personnel.

Staff Recommendation: Staff recommends that the Committee deny this request. Staff believes it is appropriate to deviate from common policy for this non-prioritized decrease in spending authority.

Staff Analysis: The supplemental budget request is the Department of Personnel's annual fleet supplemental true-up. The statewide common policy request is to decrease the appropriation for the vehicle lease payments line item in the Department of Revenue. The Department of Revenue has enough spending authority to pay vehicle lease payments in its current budget. Therefore, staff recommends that no changes be made to the Department's budget through the supplemental appropriations process.

**NON-PRIORITIZED SUPPLEMENTAL #2
YOUTH MARIJUANA EDUCATION CAMPAIGN**

| | Request | Recommendation |
|--------------|-------------------------|-----------------------|
| Total | <u>\$250,000</u> | <u>Pending</u> |
| Cash Funds | 250,000 | Pending |

Department Request: The Governor's Office is requesting the appropriation of \$250,000 reappropriated funds from the Marijuana Cash Fund for a public awareness campaign to increase youth understanding of the risks associated with marijuana uses. Kevin Neimond will make a recommendation on this request during the January 24, 2014 supplemental presentation for the Office of the Governor.

JBC Staff Supplemental Recommendations - FY 2013-14
Staff Working Document - Does Not Represent Committee Decision

Appendix A: Number Pages

| | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2013-14 Requested Change | FY 2013-14 Rec'd Change | FY 2013-14 Total W/ Rec'd Change |
|--|----------------------|-----------------------------|--------------------------------|----------------------------|-------------------------------------|
|--|----------------------|-----------------------------|--------------------------------|----------------------------|-------------------------------------|

DEPARTMENT OF REVENUE
Barbara Brohl, Executive Director

S-1 Gambling Payment Intercept Cash Fund

(1) EXECUTIVE DIRECTOR'S OFFICE

| | | | | | |
|--------------------|------------------|------------------|---------------|---------------|------------------|
| Operating Expenses | <u>1,078,413</u> | <u>1,195,578</u> | <u>29,000</u> | <u>29,000</u> | <u>1,224,578</u> |
| General Fund | 469,181 | 527,569 | 0 | 0 | 527,569 |
| Cash Funds | 609,232 | 668,009 | 29,000 | 29,000 | 697,009 |

| | | | | | |
|---|------------|------------|------------|------------|------------|
| Total for S-1 Gambling Payment Intercept Cash Fund | 1,078,413 | 1,195,578 | 29,000 | 29,000 | 1,224,578 |
| <i>FTE</i> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| General Fund | 469,181 | 527,569 | 0 | 0 | 527,569 |
| Cash Funds | 609,232 | 668,009 | 29,000 | 29,000 | 697,009 |

JBC Staff Supplemental Recommendations - FY 2013-14
Staff Working Document - Does Not Represent Committee Decision

| | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2013-14 Requested Change | FY 2013-14 Rec'd Change | FY 2013-14 Total W/ Rec'd Change |
|--|----------------------|-----------------------------|--------------------------------|----------------------------|-------------------------------------|
|--|----------------------|-----------------------------|--------------------------------|----------------------------|-------------------------------------|

S-2 Retail Marijuana Sales Tax Distribution to Local Governments

TAXATION BUSINESS GROUP

(E) Special Purpose

Retail Marijuana Sales Tax Distribution to Local

| | | | | | |
|--------------|----------|----------|------------------|------------------|------------------|
| Governments | <u>0</u> | <u>0</u> | <u>2,909,431</u> | <u>2,909,431</u> | <u>2,909,431</u> |
| General Fund | 0 | 0 | 2,909,431 | 2,909,431 | 2,909,431 |

| | | | | | |
|---|------------|------------|------------|------------|------------|
| Total for S-2 Retail Marijuana Sales Tax Distribution to Local Governments | 0 | 0 | 2,909,431 | 2,909,431 | 2,909,431 |
| <i>FTE</i> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| General Fund | 0 | 0 | 2,909,431 | 2,909,431 | 2,909,431 |

| | | | | | |
|---|----------------|----------------|------------|------------|----------------|
| Totals Excluding Pending Items | | | | | |
| REVENUE | | | | | |
| TOTALS for ALL Departmental line items | 323,938,816 | 306,341,593 | 2,938,431 | 2,938,431 | 309,280,024 |
| <i>FTE</i> | <u>1,181.1</u> | <u>1,253.2</u> | <u>0.0</u> | <u>0.0</u> | <u>1,253.2</u> |
| General Fund | 70,443,959 | 77,856,804 | 2,909,431 | 2,909,431 | 80,766,235 |
| Cash Funds | 251,148,492 | 222,591,688 | 29,000 | 29,000 | 222,620,688 |
| Reappropriated Funds | 1,552,530 | 5,068,713 | 0 | 0 | 5,068,713 |
| Federal Funds | 793,835 | 824,388 | 0 | 0 | 824,388 |

APPENDIX B
Medical and Retail Marijuana Revenue Projection Analysis
From FY 2013-14 through FY 2015-2016

Colorado State Statutes through enactment of House Bills 1317 and 1318 requires the licensing and regulation of retail marijuana production and distribution, taxation of retail marijuana sales, and the earmarking of retail marijuana-generated tax revenues.

General Assumptions

- Estimates rely on published surveys and reports, to the extent possible, which acknowledge difficulty in obtaining accurate data due to the product's prior illegal nature.
- Estimates are based on the state's fiscal year (FY) of July 1 through June 30.

State and Local Government Revenue Estimates – Assumptions

- State statutes create a closed, highly regulated marijuana industry that does not presently exist anywhere in the country. Unlike other agricultural commodities, marijuana production will be solely for in-state consumption and for visitors to Colorado. See Table 1 and Table 2 for details on state and local revenues assuming fully functioning retail and medical marijuana markets.
- The revenue estimates will be adjusted as necessary to account for changes made to assumptions and other variables impacting projections. This will include the results of the Marijuana Enforcement Division's (MED) market study.¹

Consumption Assumptions

- **Residents**

It is difficult to determine with precision the amount of marijuana consumed in the state before or after the effective date of the legislation. Therefore, for purposes of this analysis only, an estimate of marijuana users was created using the U.S. Department of Health and Human Service, Substance Abuse and Mental Health Services Administration's (SAMHSA) National Survey on Drug Use and Health, 2010-2012 data for Colorado. The survey estimates the number of marijuana users to be 464,779 or 12.9 percent of persons 21 years of age or older in calendar year 2010. From 2010-2012, SAMHSA found that nationally marijuana users increased 0.3 percent each year from 6.7 percent to 7.3 percent. Assuming Colorado's population of marijuana users is increasing at the same rate, the number of users in Colorado for calendar year 2012 is estimated to be 720,616 or 13.5 percent of persons 21 years of age or older.²

- **Visitors**

State statutes allow visitors to Colorado to purchase up to a quarter of an ounce of marijuana in a single purchase.³ According to the Colorado Tourism Office's official tourism report for 2011 there were 21.7 million adult visitors to Colorado.⁴ To estimate the number of visitor users of marijuana, the same methodology to estimate the number of Colorado users was utilized. It is assumed that

¹ MED market study will be completed by April 1, 2014.

² Estimates for FY 2013-14, FY 2014-15, and FY 2015-16 assume that Colorado's population of marijuana users will increase 0.3 percent each year.

³ Section 12-43.4-901 (2) (f) C.R.S.

⁴ The estimated visitor population was provided by the Colorado Tourism Office. This estimate was also used in Legislative Council's analysis of HB 13-1317 and HB 13-1318.

visitors will have the same consumption pattern as Colorado residents.⁵ It is also assumed the visitor population of marijuana users will increase at the same rate as national use.⁶

- **Medical Marijuana Patients**

It is assumed that a portion of the medical marijuana patient population will not renew their medical marijuana patient card and, instead, purchase marijuana from retail establishments. Patients may decide not to renew for the following reasons: (1) they no longer want to be listed on the Medical Marijuana Patient Registry; and (2) they no longer want to pay the annual renewal cost of \$35.00 for a medical marijuana patient card and an annual Physician Certification, which on average costs \$75.00.

The first 6 months of the forecast assumes that 10 percent of the medical marijuana patient population will convert to retail marijuana; in the second six months a total of 15 percent is estimated to convert; and after the first year a total of 25 percent is estimated to convert. The assumption for the conversion rate is conservative due to a lack of data. It is assumed that some patients will keep their medical marijuana patient status for the following reasons: (1) there is a formal registration process that reflects a medical need; (2) medical marijuana is less costly due to lower tax rates; (3) patients in the 18-21 age group can legally purchase medical marijuana; and (4) patients can purchase more medical marijuana at one time. Patients are able to purchase up to 2 ounces at a time whereas retail marijuana customers are only able to purchase up to 1 ounce at a time.

Estimates assume all medical marijuana patients will purchase through a business licensed by the Colorado Marijuana Enforcement Division; no assumption is made that a portion of these users will purchase from the illegal market. Additionally, no assumption is made on the consumption of marijuana-infused products because of insufficient data. Further, no assumption is made regarding the 18-21 age group because their participation in medical marijuana is insignificant.⁷

- **Frequency**

Frequency of consumption is estimated using data from the Colorado Center on Law & Policy (CCLP) analysis of Amendment 64.⁸ CCLP estimated that one medical marijuana patient uses on average 3.5 ounces per year.⁹ This data is also used to estimate the marijuana consumption patterns of both Colorado residents and visitors.¹⁰ It is estimated that the number of ounces consumed in FY 2013-14 totals 1,480,379 for retail marijuana and 1,902,398 for medical marijuana. For FY 2014-15, the consumption of medical marijuana is estimated to decline due to the introduction of retail marijuana. The estimates assume 25 percent of the medical marijuana patient population will

⁵ Due to a lack of data and information about how many visitors will come to Colorado to use marijuana it is reasonable to assume the consumption pattern of the visitor population will be similar to Colorado residents.

⁶ For FY 2013-14, FY 2014-15, and FY 2015-16, it is assumed that the visitor population of marijuana users will increase 0.3 percent each year.

⁷ The percentage of medical marijuana patients between the ages of 18-21 is 0.05%.

⁸ Colorado Center on Law & Policy--*Amendment 64 would produce \$60 million in new revenue and savings for Colorado*--these assumptions were used by Legislative Council in their analysis of HB 13-1318. These assumptions were used due to a lack of data on marijuana users.

⁹ Colorado Center on Law & Policy (CCLP) found marijuana use per person to be 3.53 ounces per year from Bouchard, M. (2008) "Towards a Realistic Method to Estimate the Cannabis Production in Industrialized Countries." *Contemporary Drug Problems*. Col. 35. Pp. 291-300. The study found that the average user consumes between 94 to 116 grams per year. CCLP concluded that 3.53 ounces per year per user is a reasonable assumption.

¹⁰ For the purposes of this analysis there is no assumption on the impact of production caps on consumption and revenue. However, the department will review the effect of production caps periodically.

convert to retail marijuana. In FY 2014-15 it is estimated that 1,839,321 ounces of medical marijuana will be consumed. In the next fiscal year, medical marijuana consumption is projected to rebound and reflect the projected growth in population in Colorado with an estimated 2,145,008 ounces consumed in FY 2015-16.¹¹ Utilizing the forecasted growth in Colorado's population and in the number of visitors to the state for the next two fiscal years, it is estimated that 3,268,192 ounces and 3,685,019 ounces of retail marijuana will be consumed in FY 2014-15 and FY 2015-16, respectively.

- **Economic and Control Variables**

Key macro-economic variables and control variables used in this forecasting model include the following: (1) age dispersion of Colorado's population; (2) Colorado's migration population; (3) retail marijuana dummy variable; (4) Colorado's unemployment rate; (5) U.S. unemployment rate; (6) U.S. personal income; (7) U.S. retail sales and food services; (8) crude oil price per barrel; and (9) medical marijuana patient population.¹² In addition, Colorado's beer consumption in gallons is also used since beer is associated as being a substitute of marijuana.¹³

Medical and Retail Application and License Fee Assumptions

An application fee for a medical marijuana dispensary to convert to retail marijuana is \$500.¹⁴ No retail marijuana license will be effective until January 1, 2014. There will be a \$5,000 fee for a new entrant to the market, which is not effective until October 1, 2014.¹⁵ Half of each application fee will be deposited into the Marijuana Cash Fund and the other half will be submitted to the local jurisdiction where the license will be issued.¹⁶

- **Retail**

New license types are created for retail marijuana stores, products manufacturers, cultivation facilities, and testing facilities. All owners, officers, managers, and employees of a retail marijuana business must meet certain requirements, including being a resident of Colorado and passing a fingerprint-based criminal history check.¹⁷ The application fee is \$500 for any eligible medical marijuana business who wants to obtain a license for a retail marijuana store, retail marijuana cultivation facility, retail marijuana products manufacturing, and retail marijuana testing facility. The license and renewal fee is currently \$2,750 for any retail marijuana store, retail marijuana

¹¹ Colorado population is forecasted to increase 1.5% and 1.8% in FY 2014-15 and FY 2015-16, respectively, per the Colorado Department of Local Affairs.

¹² These variables are used as constants that are an unchanging standard of comparison to control for any economic changes in Colorado and the U.S. The retail marijuana dummy variable is equal to 1 for months retail marijuana is legal and 0 otherwise. The dummy variable takes into account the effects of the legalization of marijuana. The U.S. variables are lagged to take into account the effect of the U.S. economy on Colorado's economy.

¹³ Anderson, D., Hansen B., and Rees, D. (2012) "Medical Marijuana Laws, Traffic Fatalities, and Alcohol Consumption." *IZA Discussion Paper* No. 6112. The researchers found that beer had a substitution effect with medical marijuana. They noted that the response was small but significant. They also found that when medical marijuana was introduced beer sales were affected. They stated that beer is a favorite among the 21-25 age group, which suggests that marijuana is favorable among that age group too.

¹⁴ Section 12-43.4-104(1) (a) (I) C.R.S. and 12-43.4-501 (1) C.R.S., any medical marijuana business who is in good standing on or after October 1, 2013 may apply for a retail marijuana establishment license under this article.

¹⁵ Section 12-43.4-104 (VI) (B) (II) C.R.S. and 12-43.4-501 (2) C.R.S., on and after July 1, 2014 persons who did not meet the requirements of being in a good standing medical marijuana business may apply for a license. The license will not be effective until October 1, 2014.

¹⁶ Section 12-43.4-501 (1) C.R.S.

¹⁷ Section 12-43.4-401 C.R.S.

cultivation facility, retail marijuana products manufacturing, and retail marijuana testing facility. The owner, officer, manager, and employee license fees for retail marijuana currently mirror those of medical marijuana. The cost for a background check is \$46.35; application fee for an owner and officer is \$953.65; application fee for an officer, manager, and business/vendor registration is \$203.65 with a \$250 renewal fee; and the application fee for each staff employee is \$28.65 with a \$75 renewal fee. For purposes of this analysis, it is assumed the application and license fee structure for retail marijuana will remain unchanged.

- There is insufficient data to estimate the number of medical marijuana stores, medical marijuana products manufactures, and medical marijuana cultivation facilities that will apply for a retail license. However, for purposes of developing an estimate, 439 or 50 percent of medical marijuana businesses will apply for retail marijuana licenses while still maintaining their medical marijuana licenses.¹⁸ Of the businesses converting, 225 will be retail marijuana cultivation facilities, 170 will be retail marijuana stores, 40 will be retail marijuana product manufacturers, and 4 will be retail marijuana testing facilities. Based on these assumptions, the estimated revenue from retail marijuana application and licensing fees totals \$1,688,663 in FY 2013-14. New entrants to the retail marijuana market, which have not been a medical marijuana business previously, will be able to apply for a license July 1, 2014 and begin operating October 1, 2014. It is estimated that there will be a 5.0 percent increase in new entrants in FY 2014-15 and in FY 2015-16. The estimate for retail marijuana application and license fees in FY 2014-15 and FY 2015-16 is \$1,962,413 and \$2,060,533, respectively.¹⁹
- **Medical Marijuana**
Estimates for medical marijuana application and license fees assume no change in the current fee structure. The estimates assume 439 or 50 percent of medical marijuana businesses will apply for retail marijuana licenses while still maintaining their medical marijuana licenses. There are several reasons why a medical marijuana business would apply for a retail marijuana license. These include (1) larger population of potential buyers; (2) simplified regulatory structure compared to medical marijuana; and (3) lower cost of conversion. Conversely, there are several reasons why a medical marijuana business would not apply for a retail marijuana license including: (1) the jurisdiction in which the business is located prohibits retail marijuana sale and cultivation; (2) threat of federal government enforcement; (3) less costly product to sell due to lower taxes; (4) desire to maintain business relationships with medical marijuana patients; (5) the timing of state and local licensing processes; and (6) the complexity of keeping the business side of medical marijuana and retail marijuana separate. Based on the data above, the estimated revenue generated from medical marijuana application and license fees is \$4,977,926 in FY 2013-14, \$5,682,787 in FY 2014-15, and \$6,321,811 in FY 2015-16.

Tax Revenue Assumptions

- **Average Market Price for Medical and Retail Marijuana**
For FY 2013-14, FY 2014-15, and FY 2015-16, estimates assume the average market wholesale price and the average market retail price of medical marijuana is \$93.75 per ounce and \$187.50 per ounce, respectively. These prices will be used to estimate the price for retail marijuana. This

¹⁸ The 50 percent conversion rate is based on year to date activity for the number of medical marijuana businesses converting to retail marijuana.

¹⁹ A Notice of Intent for any new business wanting to apply to become a retail marijuana business can be filed beginning in January 2014. The number filed will provide data to develop estimates on the number of new businesses that intend to apply in July 2014. The estimates will be refined based on the number of filings during this time.

assumption is based on Legislative Council's analysis of House Bill 1318. Prices are based on a review, by the Legislative Council through the Medical Marijuana Industry Group, of current medical marijuana dispensary prices in the state.²⁰ Legislative Council utilized the estimates from Colorado Futures and the RAND Corporation.²¹ The estimates in this analysis will be adjusted once the MED market study is completed in April 2014.

- **Retail Marijuana Excise Tax**

State statutes create a marijuana excise tax to be levied at the first transfer from a retail marijuana cultivation facility. The excise tax is equal to 15 percent of the selling price on each wholesale sale from a licensed cultivation facility to a retail store.²² State statutes also provide that the first \$40,000,000 collected annually in excise taxes be deposited in the Public School Capital Construction Assistance Fund.²³ Any amount remaining after the transfer to the Public School Capital Construction Assistance fund shall be transferred to the marijuana cash fund.²⁴ Based on the estimated number of ounces consumed in FY 2013-14 (1,480,379 ounces) and the average market wholesale price for retail marijuana (\$93.75 per ounce), it is estimated that \$138,785,531 in wholesale retail marijuana sales will be generated.²⁵ The estimated excise tax generated from retail marijuana wholesale sales is \$11,422,770 in FY 2013-14, \$45,958,948 in FY 2014-15, and \$51,820,577 in FY 2015-16.²⁶

- **Retail Marijuana Sales Tax**

The state statutes create an additional 10 percent state sales tax in addition to the current 2.9 percent state sales tax on the sale of retail marijuana.²⁷ A portion of the moneys collected from retail marijuana sales tax shall be credited to the old age pension fund.²⁸ For each fiscal year in which the tax is collected shall be distributed from the general fund as follows: Local Jurisdictions will receive 15 percent of the proceeds of the retail marijuana sales tax apportioned according to the percentage of retail marijuana sales in their areas, distributed monthly and 85 percent of the proceeds will be transferred to the marijuana cash fund created in section 12-43.3-501, C.R.S. These remaining revenues will be used for the enforcement and regulation of the retail marijuana industry and for other purposes of the fund as determined by the General Assembly. Based on the estimated ounces consumed in FY 2013-14 (1,480,379 ounces) and the average market retail price for retail marijuana (\$187.50 per ounce), it is estimated that \$277,571,062 in retail marijuana retail sales will be generated. In FY 2013-14, the estimated revenue from the 2.9 percent retail sales tax is \$5,624,900 and the estimated revenue from the additional 10 percent retail sales tax is

²⁰ Estimates do not assume that increased consumption or competition will reduce prices.

²¹ The estimates were found by comparing the RAND Corporation's and Colorado Future's estimates on the average market price for wholesale and retail medical marijuana. Legislative Council's Larson Silbaugh and Clare Pramuk have determined that these estimated prices are reasonable for retail marijuana estimates.

²² Section 39-28.8-302 (1) C.R.S.

²³ Section 39-28.8-401 (1) C.R.S.

²⁴ Section 39-28.8-305(1) (b) C.R.S.

²⁵ The excise tax will not be imposed on the first time transfer of the flower from medical to retail marijuana. Due to the timing of the local licensing approval process many of the retail marijuana businesses will become operational between January and June. Therefore, it is assumed the retail marijuana excise tax revenue will be reflective of this licensing pattern.

²⁶ For the purposes of this analysis there is no assumption made on the impact of production caps on consumption or revenue.

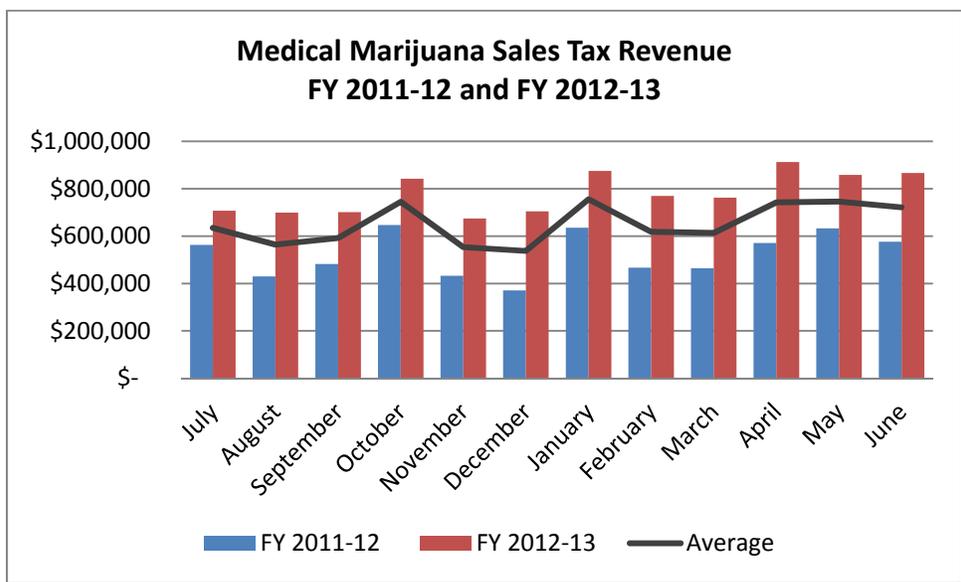
²⁷ Part 1 of article 26 of title 38 of C.R.S.

²⁸ In section 1 of article XXIV of the state constitution in accordance with paragraphs (a) and (f) of section 2 of article XXIV of the state constitution. 39-28.8-203 C.R.S

\$19,396,208.²⁹ See Table 1 for revenue estimates for FY 2014-15 and FY 2015-16. It is important to note that there is no assumption made on the local tax implications on retail marijuana consumption or state revenue due a lack of data.³⁰

- Medical Marijuana Sales Tax**

The sales tax for medical marijuana is 2.9 percent pursuant to Part 1 of Article 24 of Title 38 C.R.S. Medical marijuana tax revenue projections are estimated by using previous medical marijuana tax revenue data. Medical marijuana sales tax revenue is estimated to total \$10,344,290 in FY 2013-14. It is assumed that medical marijuana tax revenue will be negatively affected by retail marijuana. Retail marijuana’s effect on medical marijuana is unclear, but as indicated earlier, it is assumed that 25 percent of the medical marijuana patient population will convert to retail marijuana. Consequently for FY 2014-15 medical marijuana sales tax revenue estimates decline to \$10,001,306. However, in FY 2015-16 medical marijuana sales tax revenue estimates increase to \$11,663,483 to reflect the assumed growth in the medical marijuana patient population.³¹ Medical marijuana and retail marijuana sales tax revenue are based on the seasonality of medical marijuana sales tax revenue over the last two years. This data is provided in the table below.



²⁹ It is assumed that 97.5 percent of the product transferred will be not be subject to the excise tax, which results in a loss of retail marijuana excise tax revenues in January 2014. Additionally, the estimates assume there will be a 7 percent loss in sales tax revenue in January 2014. Due to the timing of the local licensing approval process many of the retail marijuana businesses will become operational between January and June. Therefore, it is assumed the retail marijuana excise tax revenue will be reflective of this licensing pattern. It is assumed retail marijuana sales tax revenue will not reach optimization until June 2014 because of the following: (1) local licensing approval process for retail marijuana; (2) shortage in supply of retail marijuana; and (3) businesses learning to file retail marijuana excise taxes properly.

³⁰ For the purposes of this analysis there is no assumption made regarding the impact of production caps on consumption or revenue.

³¹ It is assumed the medical marijuana patient population will grow at the same rate as Colorado’s population of 0.3% each year.

State Government Cost Estimates – Assumptions

Assuming full implementation of the legislation and a fully functioning marijuana market, total state direct and indirect costs are estimated to be \$15,568,662 in FY 2013-14. Table 3 shows state costs for FY 2014-15 and FY 2015-16.

Variables Impacting Projections

Due to uncertainties in the newly legalized marijuana industry, there are a number of variables impacting revenue projections. The effects of these variables should be reviewed and adjusted when necessary. These include, but are not limited to, the following: (1) the number of medical marijuana businesses applying for retail marijuana licenses; (2) number of new entrants into the retail marijuana market based on the number of Notice of Intents filed in January 2014; (3) local jurisdictions prohibiting or limiting the number of retail marijuana businesses; (4) local jurisdictions licensing approval process; (5) medical and retail marijuana license and application fees; (6) sale of marijuana-infused products; (7) average market wholesale and retail prices; (8) consumption patterns of residents and visitors; (9) transfer of flower from medical marijuana to retail marijuana; (10) production caps; (11) failure rates of marijuana businesses; and (12) results of the MED market study.

TABLE 1 - State Tax Revenue Projections

| Recipient | State Tax Revenue Impact | FY 2012-13 | FY 2013-14 | FY 2014-15 | FY 2015-16 |
|--|--|--------------------|---------------------|----------------------|----------------------|
| School Capital Construction (SCC) | | | | | |
| | Retail: Excise tax 15% | - | \$11,422,770 | \$45,958,948 | \$51,820,577 |
| | Retail Excise tax spillover | - | - | -\$5,958,948 | -\$11,820,577 |
| | Subtotal | - | \$11,422,770 | \$40,000,000 | \$40,000,000 |
| Marijuana Cash Fund (MED) | | | | | |
| | Retail: State sales tax 2.9% | - | \$5,624,900 | \$17,770,793 | \$20,037,290 |
| | State share (85% of the 10% sales tax) | - | \$16,486,777 | \$52,086,807 | \$58,729,988 |
| | Medical: Sales tax 2.9% | \$9,376,093 | \$10,344,290 | \$10,001,306 | \$11,663,483 |
| | Retail Excise tax spillover | - | - | \$5,958,948 | \$11,850,577 |
| | Subtotal | \$9,376,093 | \$32,455,967 | \$85,817,854 | \$102,281,338 |
| Local Share | | | | | |
| | Local share (15% of the 10% sales tax) | - | \$2,909,431 | \$9,191,790 | \$10,364,115 |
| | Subtotal | - | \$2,909,431 | \$9,191,790 | \$10,364,115 |
| STATE TAX REVENUE TOTAL (SCC + MED) | | \$9,376,093 | \$43,878,737 | \$125,817,854 | \$142,251,338 |

Table 2- State Fee Revenue Projections

| State Fee Revenue | Recipient | FY 2012-13 | FY 2014 | FY 2015 | FY 2016 |
|--------------------------------|-----------|--------------------|---------------------|---------------------|---------------------|
| Medical Marijuana Fee Revenue | MED | \$4,056,906 | \$ 4,977,926 | \$ 5,682,787 | \$ 6,321,811 |
| Retail Marijuana Fee Revenue | MED | | \$ 1,688,663 | \$ 1,962,413 | \$ 2,060,533 |
| STATE FEE REVENUE TOTAL | | \$4,056,906 | \$ 6,666,589 | \$ 7,645,200 | \$ 8,382,344 |

TABLE 3 - State Direct and Indirect Costs

| State Costs | FY 2014 | FY 2015 | FY 2016 |
|---------------------------------------|----------------------|----------------------|----------------------|
| Long Bill (SB 13-230) | \$ 7,503,170 | \$ 7,974,210 | \$ 7,988,174 |
| HB 13-1317-DOR | \$ 1,227,026 | \$ 956,669 | \$ 956,669 |
| HB 13-1317-Law | \$ 76,000 | \$ 76,000 | \$ 76,000 |
| HB 13-1318-DOR | \$ 4,246,090 | \$ 1,280,050 | \$ 1,280,050 |
| SB 13-283-CDPHE | \$ 307,542 | \$ 320,342 | \$ 320,342 |
| SB 13-283-CDPS | \$ 154,034 | \$ 160,029 | \$ 160,029 |
| SB 13-280-DPS | \$ 54,800 | \$ 8,000 | \$ 8,000 |
| DHS/DHCPF per 39-26-123 (6) C.R.S. | \$ 2,000,000 | \$ 2,000,000 | \$ 2,000,000 |
| Total | \$ 15,568,662 | \$ 12,775,300 | \$ 12,789,264 |

Table 4 – Total State Revenue Projections

| Recipient | Revenue | FY 2012-13 | FY 2013-14 | FY 2014-15 | FY 2015-16 |
|--|---|---------------------|---------------------|----------------------|----------------------|
| School Capital Construction (SCC) | | | | | |
| | Retail: Excise tax revenue | - | \$11,422,770 | \$45,958,948 | \$51,820,577 |
| | Retail Excise tax spillover | - | - | -\$5,958,948 | -\$11,820,577 |
| | Subtotal | - | \$11,422,770 | \$40,000,000 | \$40,000,000 |
| Marijuana Cash Fund (MED) | | | | | |
| | Retail: State share of sales tax revenues | - | \$22,111,677 | \$69,857,600 | \$78,767,278 |
| | Medical: Sales tax revenue | \$9,376,093 | \$10,344,290 | \$10,001,306 | \$11,663,483 |
| | Retail: Fee revenue | - | \$1,688,663 | \$1,962,413 | \$2,060,533 |
| | Medical: Fee revenue | \$4,056,906 | \$4,977,926 | \$5,682,787 | \$6,321,811 |
| | Retail Excise Tax Spillover | - | - | \$5,958,948 | \$11,850,577 |
| | Subtotal | \$13,432,999 | \$39,122,556 | \$93,463,054 | \$110,633,682 |
| Local Share | | | | | |
| | Retail: Local share of sales tax revenue | - | \$2,909,431 | \$9,191,790 | \$10,364,115 |
| | Subtotal | - | \$2,909,431 | \$9,191,790 | \$10,364,115 |
| Total State Revenue (SCC + MED) | | \$13,432,999 | \$50,545,326 | \$133,463,054 | \$150,633,682 |

APPENDIX C

Schedule 9: Cash Funds Reports
 Department of Revenue
 FY 2014-15 Budget Request
 Fund 15Z-Medical Marijuana License Cash Fund
 Section 12-43-501, C.R.S. (2013)

| | Actual FY 2011-12 | Actual FY 2012-13 | Appropriated FY 2013-14 | Requested FY 2014-15 | Projected FY 2015-16 |
|--|----------------------|----------------------|----------------------------|-------------------------|-------------------------|
| Year Beginning Fund Balance (A) | \$3,853,403 | \$2,370,508 | \$4,383,320 | \$28,069,232 | \$108,938,078 |
| Changes in Cash Assets | -\$3,341,723 | \$2,021,188 | \$23,701,106 | \$80,868,846 | \$98,066,484 |
| Changes in Non-Cash Assets | -\$25,665 | \$11,141 | -\$11,141 | \$0 | \$0 |
| Changes in Long-Term Assets | \$13,009 | -\$12,750 | -\$34 | \$0 | \$0 |
| Changes in Total Liabilities | \$1,871,484 | -\$6,767 | -\$4,019 | \$0 | \$0 |
| TOTAL CHANGES TO FUND BALANCE | -\$1,482,895 | \$2,012,812 | \$23,685,912 | \$80,868,846 | \$98,066,484 |
| Assets Total | \$2,573,165 | \$4,592,744 | \$28,282,675 | \$109,151,521 | \$207,218,005 |
| Cash (B) | \$2,560,156 | \$4,581,344 | \$28,282,450 | \$109,151,296 | \$207,217,780 |
| Other Assets(Detail as necessary) | \$0 | \$11,141 | \$0 | \$0 | \$0 |
| Receivables | \$13,009 | \$259 | \$225 | \$225 | \$225 |
| Liabilities Total | \$202,657 | \$209,424 | \$213,443 | \$213,443 | \$213,443 |
| Payables (C) | \$86,525 | \$101,330 | \$101,330 | \$101,330 | \$101,330 |
| Accrued Liabilities | \$116,132 | \$108,094 | \$112,113 | \$112,113 | \$112,113 |
| Ending Fund Balance (D) | \$2,370,508 | \$4,383,320 | \$28,069,232 | \$108,938,078 | \$207,004,562 |
| Logical Test | TRUE | TRUE | TRUE | TRUE | TRUE |
| Net Cash Assets - (B-C) | \$2,473,631 | \$4,480,014 | \$28,181,120 | \$109,049,966 | \$207,116,450 |
| Change from Prior Year Fund Balance (D-A) | -\$1,482,895 | \$2,012,812 | \$23,685,912 | \$80,868,846 | \$98,066,484 |
| | | | | | |
| | | | | | |

Schedule 9: Cash Funds Reports
 Department of Revenue
 FY 2014-15 Budget Request
 Fund 15Z-Medical Marijuana License Cash Fund
 Section 12-43-501, C.R.S. (2013)

| Cash Flow Summary | | | | | |
|---|--------------|-------------|--------------|--------------|--------------|
| Retail Marijuana Revenue Total | | | \$23,854,481 | \$77,847,657 | \$92,733,932 |
| 2.9% Sales Tax | \$0 | \$0 | \$5,624,900 | \$17,770,793 | \$20,037,290 |
| 10% Additional Sales Tax (does not include 15% local share) | \$0 | \$0 | \$16,486,777 | \$52,086,807 | \$58,729,988 |
| 15% Excise Tax (in excess of \$40 million) | \$0 | \$0 | \$0 | \$5,958,948 | \$11,850,577 |
| Background Checks | \$0 | \$0 | \$73,789 | \$88,454.34 | \$81,122 |
| Fees | \$0 | \$0 | \$1,688,663 | \$1,962,413 | \$2,060,533 |
| Refunds | \$0 | \$0 | -\$25,330 | -\$29,436 | -\$30,908 |
| Short Checks | \$0 | \$0 | -\$16,887 | -\$19,624 | -\$20,605 |
| Fines | \$0 | \$0 | \$10,723 | \$13,923 | \$12,323 |
| Interest | \$0 | \$0 | \$11,846 | \$15,380 | \$13,613 |
| Miscellaneous Revenue | \$0 | \$0 | \$0 | \$0 | \$0 |
| Medical Marijuana Revenue Total | \$3,779,125 | \$4,116,153 | \$15,400,092 | \$15,796,489 | \$18,121,817 |
| 2.9% Sales Tax | \$0 | \$0 | \$10,344,290 | \$10,001,306 | \$11,663,483 |
| Background Checks | \$200,376 | \$60,904 | \$122,703 | \$164,518 | \$205,360 |
| Fees | \$3,611,422 | \$4,056,906 | \$4,977,926 | \$5,682,787 | \$6,321,811 |
| Refunds | -\$53,314 | -\$74,917 | -\$74,669 | -\$85,242 | -\$94,827 |
| Short Checks | -\$30,982 | \$0 | -\$49,779 | -\$56,828 | -\$63,218 |
| Fines | \$18,113 | \$35,000 | \$37,831 | \$42,737 | \$42,386 |
| Interest | \$32,673 | \$38,260 | \$41,790 | \$47,210 | \$46,822 |
| Miscellaneous Revenue | \$837 | \$0 | \$0 | \$0 | \$0 |
| Expenses Total | \$5,262,020 | \$2,103,341 | \$15,568,662 | \$12,775,300 | \$12,789,264 |
| Program Costs | \$3,929,098 | \$1,389,019 | \$5,658,354 | \$5,771,948 | \$5,771,948 |
| Common Policies (Personal Services) | \$328,575 | \$195,676 | \$605,413 | \$562,800 | \$576,764 |
| Common Policies (Operating) | \$826,949 | \$498,802 | \$741,967 | \$909,142 | \$909,142 |
| Common Policies (Information Technology) | \$0 | \$0 | \$0 | \$0 | \$0 |
| Indirect Costs | \$177,398 | \$19,844 | \$497,436 | \$730,320 | \$730,320 |
| Legislation | | | \$8,065,492 | \$4,801,090 | \$4,801,090 |
| Net Cash Flow | -\$1,482,895 | \$2,012,812 | \$23,685,912 | \$80,868,846 | \$98,066,484 |

Schedule 9: Cash Funds Reports
 Department of Revenue
 FY 2014-15 Budget Request
 Fund 15Z-Medical Marijuana License Cash Fund
 Section 12-43-501, C.R.S. (2013)

| Fund Expenditures Line Item Detail | Actual FY 2011-12 | Actual FY 2012-13 | Appropriated FY 2013-14 | Requested FY 2014-15 | Projected FY 2015-16 |
|--|----------------------|----------------------|----------------------------|-------------------------|-------------------------|
| (1) Executive Director's Office | | | | | |
| Health, Life, Dental | \$196,171 | \$124,312 | \$284,354 | \$158,707 | \$158,707 |
| Short-term Disability | \$3,574 | \$2,016 | \$5,106 | \$8,841 | \$8,841 |
| S.B. 04-257 Amortization Equalization Disbursement | \$71,610 | \$37,310 | \$100,066 | \$160,742 | \$167,172 |
| S.B. 06-235 Supplemental Amoritization Equalization Disbursement | \$57,220 | \$32,037 | \$90,337 | \$150,695 | \$158,230 |
| Salary Survey | \$0 | \$0 | \$102,749 | \$66,275 | \$66,275 |
| Merit Pay | \$0 | \$0 | \$22,801 | \$17,540 | \$17,540 |
| Shift Differential | \$0 | \$0 | \$0 | \$0 | \$0 |
| Workers' Compensation | \$24,723 | \$34,661 | \$11,618 | \$43,116 | \$43,116 |
| Capital Outlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| Variable Vehicle Payments | \$52,065 | \$20,342 | \$29,517 | \$29,517 | \$29,517 |
| Legal Services | \$124,613 | \$19,828 | \$250,743 | \$268,510 | \$268,510 |
| Purchase of Services from Computer Center | \$142,992 | \$155,549 | \$157,000 | \$240,685 | \$240,685 |
| Colorado State Network | \$22,171 | \$27,575 | \$28,524 | \$34,144 | \$34,144 |
| Management and Administration of OIT | \$0 | \$3,752 | \$28,487 | \$13,626 | \$13,626 |
| Payments to Risk Management and Property Funds | \$3,718 | \$5,729 | \$5,334 | \$11,570 | \$11,570 |
| Vehicles Lease Payments | \$99,672 | \$32,806 | \$32,806 | \$32,806 | \$32,806 |
| Leased Space | \$353,837 | \$177,624 | \$170,178 | \$207,874 | \$207,874 |
| Capitol Complex Leased Space | \$3,158 | \$3,334 | \$8,078 | \$3,514 | \$3,514 |
| Communications Services Payments | \$0 | \$0 | \$0 | \$5,352 | \$5,352 |
| COFRS Modernization | \$0 | \$17,603 | \$17,706 | \$16,808 | \$16,808 |
| Information Technology Security | \$0 | \$0 | \$1,976 | \$1,620 | \$1,620 |
| Subtotal | \$1,155,524 | \$694,479 | \$1,347,380 | \$1,471,942 | \$1,485,906 |
| (2) Central Department Operations Divison | | | | | |
| Personal Services | \$0 | \$5,808 | \$6,518 | \$0 | \$0 |
| Operating Expenses | \$95 | \$0 | \$0 | \$0 | \$0 |
| Subtotal | \$95 | \$5,808 | \$6,518 | \$0 | \$0 |
| (7) Enforcement Business Group | | | | | |
| (H) Medical Marijuana Division | \$3,919,026 | \$1,387,011 | \$5,653,838 | \$5,767,432 | \$5,767,432 |
| Subtotal | \$3,919,026 | \$1,387,011 | \$5,653,838 | \$5,767,432 | \$5,767,432 |

Schedule 9: Cash Funds Reports
 Department of Revenue
 FY 2014-15 Budget Request
 Fund 15Z-Medical Marijuana License Cash Fund
 Section 12-43-501, C.R.S. (2013)

| Division and Department Indirect Costs | | | | | |
|---|--------------------|--------------------|---------------------|---------------------|---------------------|
| Enforcement Business Group Administration | \$177,303 | \$0 | \$170,597 | \$270,874 | \$270,874 |
| Executive Director's Office | \$0 | \$14,036 | \$320,321 | \$459,446 | \$459,446 |
| Subtotal | \$177,303 | \$14,036 | \$490,918 | \$730,320 | \$730,320 |
| Other Costs | | | | | |
| Postage | \$2,376 | \$2,008 | \$4,516 | \$4,516 | \$4,516 |
| HB 11-1043 Medical Marijuana FY 2011-12 Appropriation | \$7,696 | | | | |
| HB 13-1317 Implementation of A64 Majority-DOR | | | \$1,227,026 | \$956,669 | \$956,669 |
| HB 13-1317 Implementation of A64 Majority-Law | | | \$76,000 | \$76,000 | \$76,000 |
| HB 13-1318 Marijuana Taxes-DOR | | | \$4,246,090 | \$1,280,050 | \$1,280,050 |
| DHS/DHCPF, 39-26-123 (6) C.R.S. | | | \$2,000,000 | \$2,000,000 | \$2,000,000 |
| SB 13-230 Department of Public Safety | | | \$54,800 | \$8,000 | \$8,000 |
| SB 13-283 Implementation of A64-CDPHE | | | \$307,542 | \$320,342 | \$320,342 |
| SB 13-283 Implementation of A64-CDPS | | | \$154,034 | \$160,029 | \$160,029 |
| Subtotal | \$10,072 | \$2,008 | \$8,070,008 | \$4,805,606 | \$4,805,606 |
| TOTAL | \$5,262,020 | \$2,103,341 | \$15,568,662 | \$12,775,300 | \$12,789,264 |