

Comparison of Retail Marijuana Excise and Sales Tax Revenue Forecast Assumptions for FY 2014-15

	Governor's Request	2013 Blue Book	LCS Forecast, March 2014
Number of Colorado residents using retail or medical marijuana			
The March forecast assumes 12.9 percent of Colorado adults between the ages of 21 and 90 use marijuana. The 12.9 percent marijuana usage rate was reported by a 2012 Substance Abuse and Mental Health Services Administration (SAMHSA) survey of Colorado residents.		559,363	502,779
Number of Colorado residents using medical marijuana			
The Blue Book estimate assumed that only patients who use medical marijuana more than 300 days a year—accounting for about 45.9 percent of sales—would remain in the medical marijuana market. The remaining 54.1 percent of sales were assumed to migrate to the retail market. The March forecast assumes that most medical marijuana patients will remain in the medical market, in part because the state has not experienced a decline in the number of medical marijuana patients in preparation for the opening of the retail market in January. The cost of a medical marijuana registry card has declined to \$15 from \$35 and the forecast projects that medical marijuana prices will remain lower than retail marijuana prices, incentivizing marijuana users to continue consuming medical marijuana. The Governor's request does not estimate a number of medical marijuana users in FY 2014-15, but assumes that 25 percent of medical users will migrate to the retail marijuana market over the course of calendar year 2014.		46,468	106,963
Retail marijuana consumption per visiting marijuana user (ounces)			
Both the Blue Book estimate and the March forecast assume that each visitor who uses marijuana will spend \$20 on marijuana products. However, the March forecast is updated to more accurately reflect retail market conditions under which a consumer can purchase approximately one gram of marijuana, or an edible marijuana product containing 100 milligrams of concentrated marijuana oil, for \$20.	0.25	0.11	0.04
Total retail consumption (ounces)			
Both the Blue Book estimate and the March forecast calculate total retail consumption by adding resident consumption, a product of resident retail marijuana users and mean annual marijuana use per resident user (3.5 ounces annually), and visitor consumption, a product of visiting retail marijuana users and mean annual marijuana use per visiting user. The Governor's request for FY 2014-15 does not estimate the number of marijuana users in the state. Instead, it is based on the Department of Revenue retail consumption estimate for FY 2013-14 and projects increases in consumption based on historical medical marijuana trends, anticipated increases in the share of resident and visitor marijuana consumers, future retail shop openings, and migration from the medical market to the retail market.	3,268,192	1,957,693	1,415,286
Average wholesale price of retail marijuana (dollars per pound)			
Both the Governor's request and the Blue Book used \$1,500 per pound as an approximation of wholesale marijuana prices. In December 2013, the Department of Revenue announced that wholesale marijuana prices for calendar year 2014 were \$1,876 per pound of marijuana flower and \$296 per pound of marijuana trim. These prices are used to compute a purchaser's excise tax liability. The March forecast assumes that 65 percent of wholesale marijuana purchased will be marijuana flower, while 35 percent will be marijuana trim used to produce the oil used in edible marijuana products, for a weighted wholesale price of \$1,361 per pound.	\$1,500	\$1,500	\$1,361
Average retail price of retail marijuana (dollars per pound)			
Since the retail market did not open until January 2014, the Blue Book used \$3,000 per pound as an approximation of potential retail prices before taxes. Retail marijuana prices vary between points of sale and according to the product being sold. The March forecast assumes that average pretax retail marijuana prices before taxes will be 20 percent higher than medical marijuana prices in calendar year 2014, and that the spread between the two prices will narrow as the supply of retail marijuana grows to meet demand. The numbers in this row do not include excise tax liability, which is assumed to be passed on to consumers in both forecasts. Sales tax is levied against the full retail price of a product, which includes excise tax liability when it is passed through to a consumer.	\$3,000	\$3,000	\$3,940