

2020-2021 ANNUAL REPORT

PUEBLO COUNTY
MARIJUANA
SALES AND EXCISE
TAXES
OVERSIGHT
COMMITTEE

SECTION I | COMMITTEE

The committee began its work in January 2020 pursuant to the Pueblo County Board of Commissioners resolution no. 19-260.

THE PRIMARY IDENTIFIED IN THE RESOLUTION ARE AS FOLLOWS:

1

Meet quarterly to review and monitor revenue receipts and expenditures of the County's Retail Marijuana Sales and Excise Taxes to ensure that the marijuana tax dollars are spent in accordance with Resolution Nos. 13-186 and 15-203.

2

Annually, provide an independent report to the BOCC that includes the revenues received and identifies how the Retail Marijuana Sales and Excise Taxes were spent.

3

It is not within the purview of the Committee to direct staff, recommend any expenditures, or define the scope of the Scholarship Fund, Infrastructure and Community Development Fund projects, or what constitutes enforcement and administration of regulations on the retail marijuana industry.

The primary function of the committee is to monitor the receipt and expenditures of the marijuana sales and excise taxes in Pueblo County. Its formation provides transparency and community oversight of this important source of revenue.

COMMITTEE MEMBERSHIP FOR 2020



Jason Chippeaux
CHAIR



Jacobo Varela
VICE CHAIR



Cyndie Decker
SECRETARY



Paula McPheeters



Anthony Rendon



**Thomas (Rick)
VanMatre**



Marygail Mello

The committee was able to convene seven times throughout the course of the year. Key activities during this time included:

Member education on the differences between the marijuana sales tax and excise tax.

Member education on the current County structure for receipt and expenditures as it relates to each.

Financial reports were provided by County staff members on a quarterly basis for review by the committee.

Quarterly reviews of the County directed scholarship fund and community development infrastructure projects funded by marijuana excise and sales tax dollars.

Work sessions aimed at developing the annual report.

It has been our pleasure to serve on this committee over the past year and we are pleased to present you with this annual report.

SECTION II | SALES TAX & EXCISE TAX

There are two types of taxes collected from marijuana dispensaries in Pueblo County. These are retail sales tax and an excise tax.

FUNDS ARE ALSO USED TO ASSIST IN FUNDING THE FOLLOWING AGENCIES AND PROJECTS

Medal of Honor Convention
Gang Alternative Program
CSU-Pueblo Fountain Creek Study
SRDA CDOT FTA
Sangre de Cristo Arts and Conference Center
Latino Chamber of Commerce
PEDCO
Pueblo Zoological Society
Harp Authority
Human Relations Commission
Southern Colorado Harm Reduction Association
Bessemer Historic Society
YMCA
Contribution to Rye Fire Department
Animal Control
Pueblo City/County Health Department
Pueblo West Metropolitan District

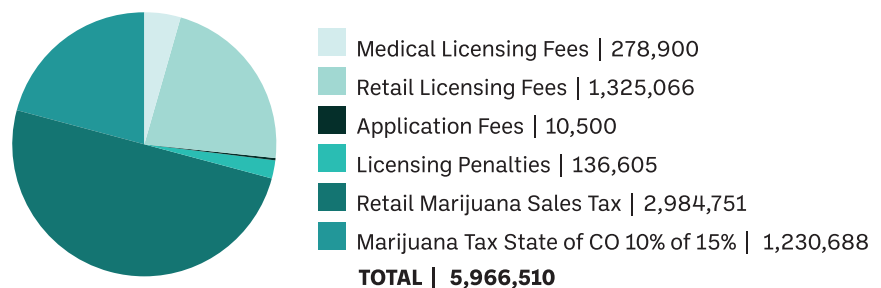
SALES TAX

Pueblo County's retail marijuana sales tax was originally 3.5%. This was raised to 6.0% in 2020. These taxes are based on purchase price and collected from the consumer at the point-of-sale.

Legal obligations of Sales Tax – original 3.5% is used to underwrite salaries of the county employees who work on marijuana business and to pay any administrative costs incurred by this county department. A portion of these taxes are shared with the City of Pueblo for dispensaries located within the city limits.

The additional 2.5%, which the county began collecting in 2020, was designated in the resolution to be set aside for public safety projects. This has been further designated by the Pueblo County Commissioners to pay for renovation of the Pueblo County Jail. Once this project is complete, the county commissioners will fund other public safety related projects. The City of Pueblo has allowed the County to retain 100% of city retail sales tax above 3.5% to be used for public safety projects. The County shares a portion of sales taxes generated in Pueblo West with the Pueblo West Metro District and is reflected as an expense on the left of this page.

2020 GENERAL FUND MARIJUANA RELATED REVENUE



EXCISE TAX

Pueblo County is able to levy, collect and enforce a county excise tax on the first sale, or transfer of unprocessed retail marijuana. The excise tax rate was designed to increase by one percent each year, with an initial 2016 rate of 1% and a final phased-in rate of 5% in 2020 going forward. The 4.0% is calculated based on the contract rate of the product. This means that the tax is collected after harvest when the product is taken to the next phase of its product cycle. This tax is collected at this point even if the grow facility and dispensary are part of the same organization.

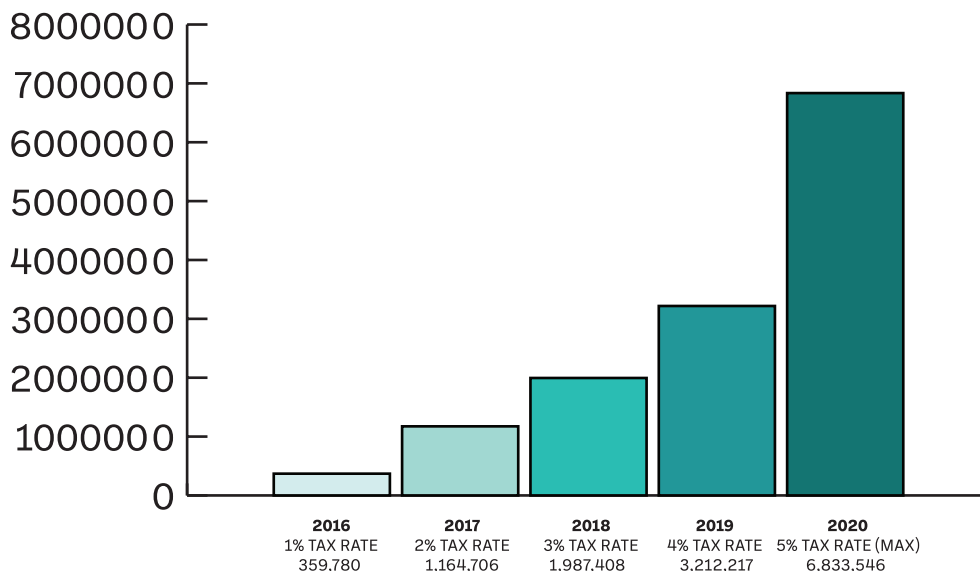
Legal obligations of Excise Tax: At least 50% of the collected funds are directly used to fund scholarships for Pueblo County Residents. The remaining 50% has been spent on a series of projects voted on by taxpayers.

Once these projects are complete, Pueblo County Commissioners will determine which projects to fund. The projects must provide a community benefit.

TAX PAYER VOTED PROJECTS

- Safe Routes to School
- Pueblo County Marijuana Impact Study
- Passenger Rail Feasibility Study
- Sangre de Cristo Arts and Conference Center – Planning
- Golf Carts for Desert Hawk Golf Course
- Zinno Subdivision Water Project
- Beulah School Playground
- State Fairgrounds Streetscape
- River Trail Master Plan Update
- Confluence Park
- Pueblo West Trails to School

EXCISE TAX COLLECTIONS SINCE 2016



SECTION III

1

A ballot initiative approved by voters in 2019 increased retail sales tax on marijuana sales from 3.5% to 6%. Pueblo County Commissioners internally passed a resolution restricting the use of the increase of these sales taxes to be used for Public Safety. The retail sales tax collected and retained by Pueblo County for the 2020 calendar year was \$5,632,487 compared to \$1,990,506 actual retail sales tax collected in 2019. The portion of the 2020 collections total that is restricted for Public Safety is \$2,647,736.

2

As of June 2020, the excise tax will be calculated using the contract price of the inventory. In previous years, the excise tax was calculated based on a market value set by the state of Colorado. Excise tax collections at 5% for 2020 were \$6,833,546 compared to 2019 collections at 4% of \$3,212,217.

3

The scholarship program has been handled by Pueblo Hispanic Education Foundation (PHEF) in the past and the county recently completed a contract with PHEF to administer \$939,000 of grant money in 2020. Pueblo County is working with other scholarship granting entities as well as post-secondary educational institutions to administer additional scholarship funds and is working to create an internal program for Pueblo County to administer. A listing of all scholarship recipients can be viewed at the Pueblo County website:

<https://county.pueblo.org/budget-and-finance/pueblo-county-government-scholarship-program>

SECTION IV | TAX ADMINISTRATION

Marijuana Tax Revenues are collected by Pueblo County through several mechanisms. The marijuana function brings in different types of revenue including licensing fees, sales taxes and excise taxes. The voter-approved language for each tax and fee determines how those funds can be spent.

Marijuana Licensing fees and sales taxes up to 3.5% and can be used for general operating of Pueblo County, including supporting the administrative function related to legalized marijuana and outside funding to nonprofit agencies.

Marijuana sales taxes over 3.5% to 6% sales taxes are restricted for specific uses related to public safety, as was identified in the ballot measure approved in 2019.

Marijuana excise taxes are restricted by the voters with 50% covering scholarships and 50% covering capital projects with Pueblo County.

A ballot initiative approved by voters in 2019 increased retail sales tax on marijuana sales from 3.5% to 6%. Pueblo County Commissioners internally passed a resolution restricting the use of the increase of these sales taxes to be used for Public Safety. The retail sales tax collected and retained by Pueblo County for the 2020 calendar year was \$5,632,487, with \$2,647,736 restricted for Public Safety compared to \$1,990,506 actual retail sales tax collected in 2019.

For years, the discussion has centered on the marijuana tax revenues and the large amount of dollars collected. Very little discussion has centered on the cost to administer and manage these funds. When reviewing the financial statements related to both marijuana revenue and related expenditures it takes a little deeper look to fully understand. This section of the report will provide answers to some of the questions that citizens have had regarding these dollars.

WHAT TYPES OF WORK AND WHAT COSTS ARE ASSOCIATED TO THE FUNCTIONS CHARGED TO MARIJUANA TAX OVERSIGHT?

The County does expense staff time and staff hours to the marijuana tax revenue as related to marijuana oversight activities. Pueblo County tracks expenses related to enforcing and working on legalized marijuana. Staff provide time and effort reports for the tracking of hours performing such activities. Several departments work on marijuana related tasks.

PUEBLO COUNTY ATTORNEY’S OFFICE

for related marijuana legal work required by Pueblo County. Related legal work includes the following routine items:

ADVISING THE PLANNING DEPARTMENT ON MARIJUANA RELATED APPLICATIONS	ADVISING LIQUOR AND MARIJUANA LICENSING BOARD AT MEETINGS	ADVISING ENFORCEMENT DIVISION ON POTENTIAL VIOLATIONS
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In addition to routine items, the Pueblo County Attorney must also provide work related to extraordinary items such as:

- Lawsuits involving licensing decisions - one, for example, was just dismissed and another was recently filed.
- Drafting changes to the marijuana licensing rules - recent example includes developing position of hearing officer needed for licensing items and introducing new rules related to that change.
- Drafting changes to marijuana tax items such as those within the Pueblo County Assessor’s Office. Property valuations related to marijuana businesses.

PUEBLO COUNTY OFFICE TIME FOR MARIJUANA TAX RELATED WORK

Below are the types of work performed by other departments in relation to Marijuana administrative issues.

BUDGET AND FINANCE OFFICE

marijuana sales and excise tax collections, budgeting, accounting and asset tracking.

HUMAN RESOURCES DEPARTMENT

personnel related items like job postings, interviews and marijuana enforcement personnel maintenance.

IT DEPARTMENT

program work related to sales tax collections and enforcement.

ROAD & BRIDGE AND PUBLIC WORKS DEPARTMENT

for time spent reviewing access permits or preparing required correspondence.

PLANNING & DEVELOPMENT DEPARTMENT

enforcement, maintenance and monitoring and licensing.

In addition to the hourly time charged, there are several full time positions assigned to Marijuana Tax cost centers. The designated positions in this department are tracked in a separate department and are as follows:

MARIJUANA CODE COMPLIANCE LEAD INSPECTOR

this position performs lead level Code Compliance Inspector duties in the Marijuana Code Compliance Division of the Planning and Development Department. This position provides oversight, guidance, training, and directing work activities of Marijuana Code Compliance Division staff as well as oversees and conducts medical and retail marijuana licensing field inspections and investigations; coordinating with the proper law enforcement agencies as needed.

MARIJUANA CODE COMPLIANCE INSPECTOR

this position conducts field inspections of properties to determine compliance with marijuana licensing. Assignments include marijuana licensing and field inspections and preparation of related records and correspondence.

LICENSING MANAGER

this position manages, supervises and coordinates the programs and activities of the liquor and marijuana licensing division within the Planning Department. The position also oversees all medical and retail marijuana land use items. This position exercises full discretion and decision-making authority for the liquor and marijuana division and has discretionary authority to review and make critical preliminary licensing application decisions. Lastly, this position is also a liaison with internal and external agencies.

ADMINISTRATIVE ASSISTANT II

This position performs general professional and clerical support for the Planning and Development Department for processing liquor and marijuana license applications.

SCHOLARSHIP PROGRAM

Pueblo County Ballot Resolutions for the various types of taxes collected towards the Scholarship program are detailed on the website:

<https://county.pueblo.org/budget-and-finance/recreational-marijuana-sales-and-excise-tax>

Pueblo County collects excise taxes on the first transfer of retail marijuana grown in the county. The amount of taxes collected are split, with 50% of the taxes designated for scholarships.

Excise tax collections at 5% for 2020 were \$6,833,546 compared to actual 2019 collections at 4% of \$3,212,217. The ballot initiative approving the collection of excise taxes on recreational marijuana required that at least 50% of the excise tax collected be reserved for scholarships. From the beginning, the County has worked with Pueblo Hispanic Education Foundation (PHEF) as the fiscal agent for managing scholarships within the County. PHEF has been able to act on behalf of the County to utilize state grant dollars to increase available scholarships to the community.

In 2020, Pueblo County expanded its scholarship program, offering outreach to local education and scholarship institutions and will manage the scholarship program utilizing current county staff. The staff member responsible for the management of scholarship program is in the Budget and Finance Office and is the marijuana tax collection specialist. This staff member has much familiarity with excise tax and how it works, along with its allowable uses. With key staff, the County hopes to expand outreach to grow the program without additional cost to taxpayers.

QUESTIONS AND ANSWERS

Who authorizes the marijuana expenses – what is the audit trail on expenses?

Administrative costs associated with marijuana are approved at the county department level, by the Department Directors. This would include things like salary of time spent by employees outlined above, office supplies, software costs and staff training for rules related to the regulation and enforcement of marijuana.

The Board of County Commissioner (BOCC)

All other marijuana expenses, especially those coming from restricted sources, would be approved by the (BOCC) in statutory meetings, work sessions and places in the approved County budget.

What activities and projects have the BOCC approved?

The BOCC can approve capital projects to be paid for by excise tax funds once the ballot approved projects are completed. Retail sales taxes on marijuana up to 3.5% can be used for general operating expenses. Retail taxes over 3.5% up to 6% are restricted by the BOCC for specific uses related to public safety.

Can Marijuana funds be used for the jail?

General marijuana sales tax can be used for jail expenses. Excise taxes can be evaluated by the Board of County Commissioners after the voter approved projects are complete, as is outlined in the ballot measure.

What activities and projects are voter approved?

The ballot measure passed in 2016 details the line items for each project designated for funding. These projects are paid for by excise tax funds, held separately and restricted for that purpose. Excise tax funds also pay for scholarships.



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PUEBLO COUNTY MARIJUANA SALES AND EXCISE TAXES OVERSIGHT COMMITTEE