



Æ T H E R

G A R D E N S

 **NEVADA**
DISPENSARY ASSOCIATION

Nevada's Marijuana Market Economic & Fiscal Benefits Analysis

Prepared for the:

 **NEVADA**
DISPENSARY ASSOCIATION

Prepared by:

 **RCG**economics

October 26, 2018

Back in the day

✓ Recreational Marijuana Legalization

- *Passed Nov 2016: 54% vs. 46%*
- *Sales Started July 2017*

✓ Medicinal Marijuana Legalization

- *Passed Nov 2000: 65% vs. 35%*
- *Sales Started July 2015*

Why, what, when?

- ✓ Quantify economic & fiscal benefits associated with marijuana industry from FY2018 – 2024 after 1 year of operation
- ✓ Compare results to RCG's 2016 *Initiative to Tax and Regulate Marijuana* (Q2) study



Dollar + Other Bennies

It's not just about the coin

- ✓ Freedom to Choose
- ✓ Safer Product
- ✓ Fewer People Jailed for Non-Violent Crime
- ✓ Less Money for Organized Crime
- ✓ Police Can Spend More Time Pursuing
Real Criminals






But the coinage doesn't hurt

- ✓ Promotes Economic Activity
- ✓ Creates Jobs
- ✓ Provides Government with Tax Revenue

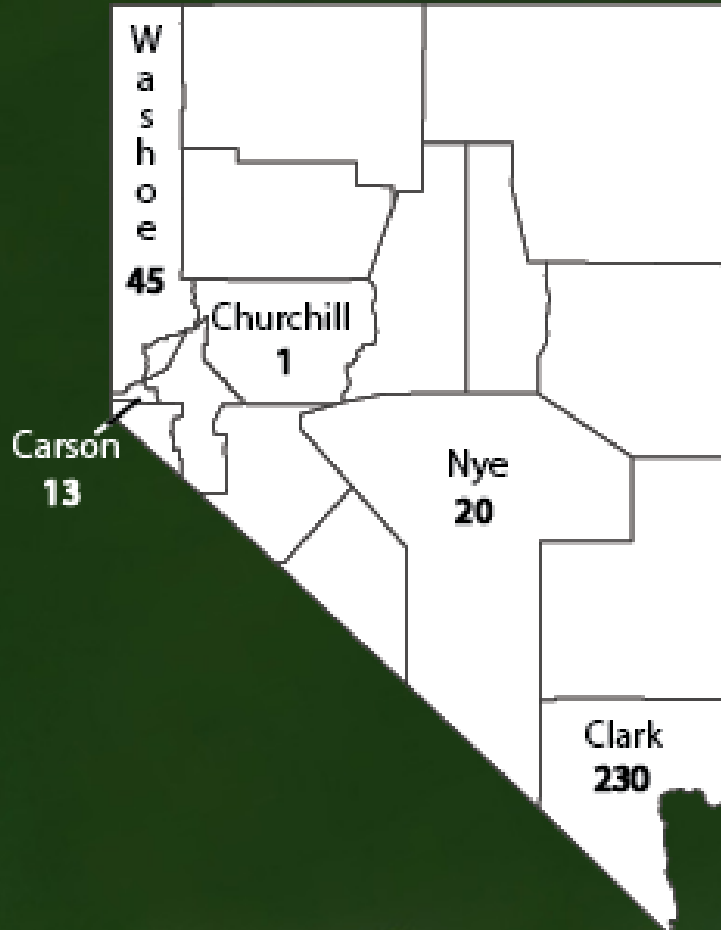
The What & the Where

(As of 12/2017)

NV Licenses: The what

Type	Count
Cultivation 	120
Testing 	10
Manufacturing / Production 	83
Distribution 	34
Retail 	62
Total	309

NV Licenses: The where








309

Survey ins & outs

- ✓ To help evaluate marijuana market & effects on firms
- ✓ RCG partnered with NDA
- ✓ Done online from April to May 2018
- ✓ **40** businesses responded representing **60** (**19%**) licenses

Who talked: license types

Type	Count
Cultivation 	20
Testing 	0
Manufacturing / Production 	15
Distribution 	7
Retail 	18
Total	60

Who talked & from where?



60

Questions, questions, questions

- ✓ License Types & Location
- ✓ Number of Workers
- ✓ Hiring Practices (Direct or Third-Party)
- ✓ Types of Costs
- ✓ Types of Revenues
- ✓ Taxes Paid



What we
found out

Survey says what, Cont.?

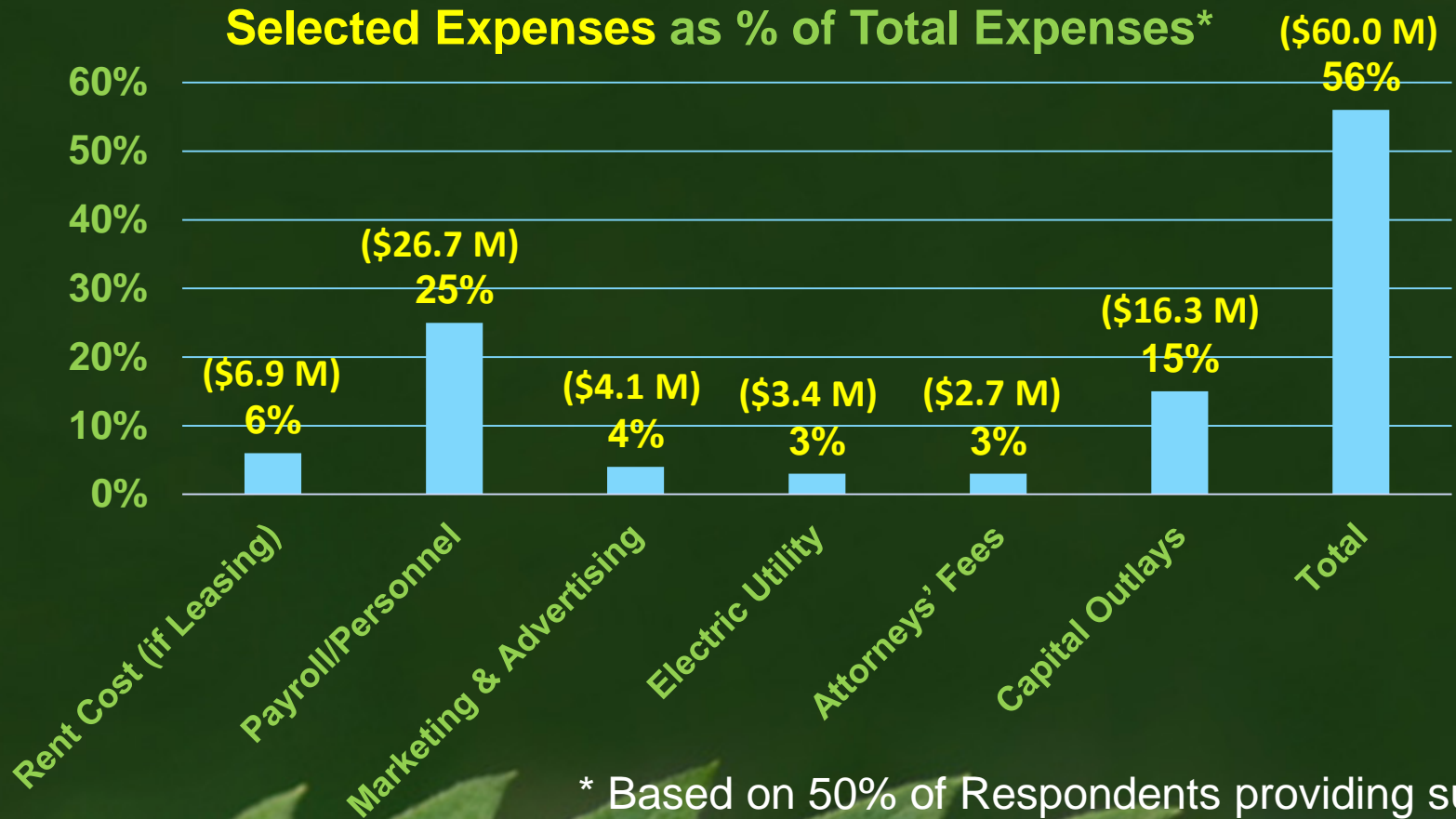
- ✓ Avg. Workers: **20 Per Location** (Jan-17, N=38)
- ✓ Avg. Workers: **35 Per Location** (Dec-17, N=38)
- ✓ **32%** firms hire at least some workers via 3rd-party services (N=38)
- ✓ Planning to hire more workers in next year:
Yes: **76% Yes** No: **24%** (N=38)

Survey says what? cont.

- ✓ Total Firm Expenses: **\$107.0 Mil** (1/2017, N=37)
- ✓ Total Firm Revenues: **\$132.5 Mil** (12/2017, N=39)
- ✓ Revenue from Recreational Sales: **63%** (N=30)
- ✓ Revenue from Medicinal Sales: **37%** (N=30)

Survey says what, cont.?

Total 2017 Respondent Expenses: **\$107 Million (N=37)**.




* Based on 50% of Respondents providing sufficient detail

Survey says what?, cont.

Total Taxes Paid by Respondents: Yearly & Part of Year

Tax	Paid
Retail Excise (2017 last 6 mos.)	\$9,315,000
Wholesale Excise (2017 last 6 mos.)	\$2,607,000
MBT (2017 last 6 mos.)	\$449,000
Commerce (FY2017/pre-legalization)	\$64,000
Sales & Use (2017)	\$13,654,000
Total	\$26,089,000



MJ Industry Economic Bennies 2016 vs. 2018

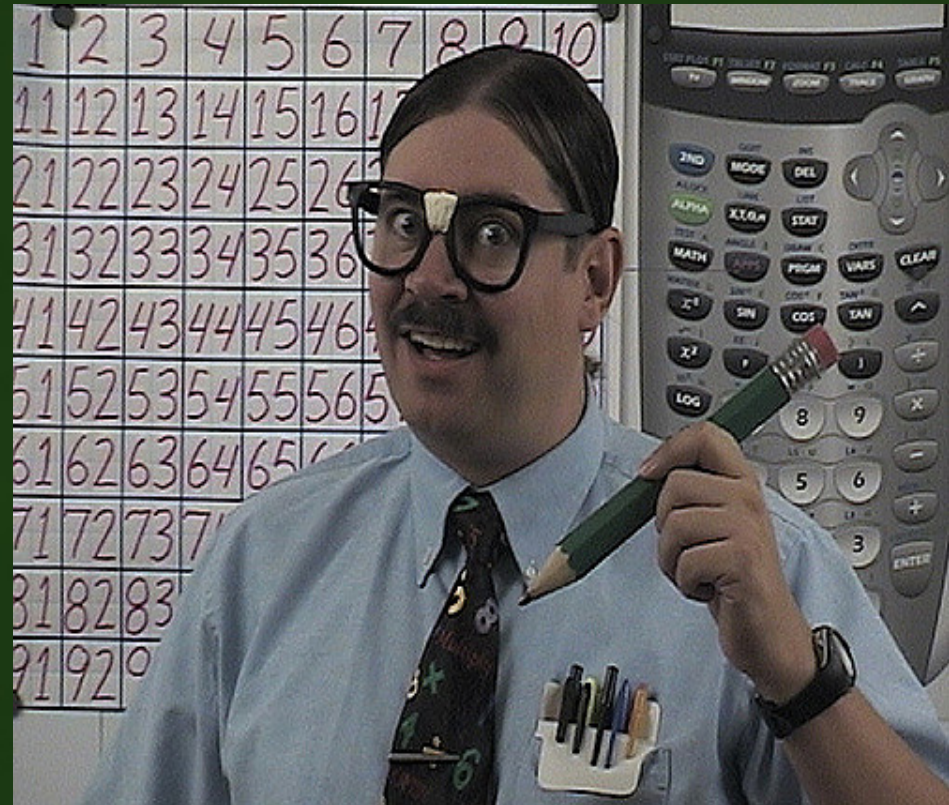
State-wide bennies

- ✓ IMPLAN Input-Output Model
- ✓ 3 Types of Economic Impact (“Total” combined)
 - *Direct: Industry Spending*
 - *Indirect: Business-to-Business Spending*
 - *Induced: Subsequent Employee Spending*

Note: Based on 2018 Department of Taxation Sales

Numbers nerd time

- ✓ Method used “marginizing”: *Looks at industry’s supply chain structure, e.g., from cultivation to production to distribution to retail*



Recommended by IMPLAN

Numbers nerd time, Cont.

✓ Data Sources

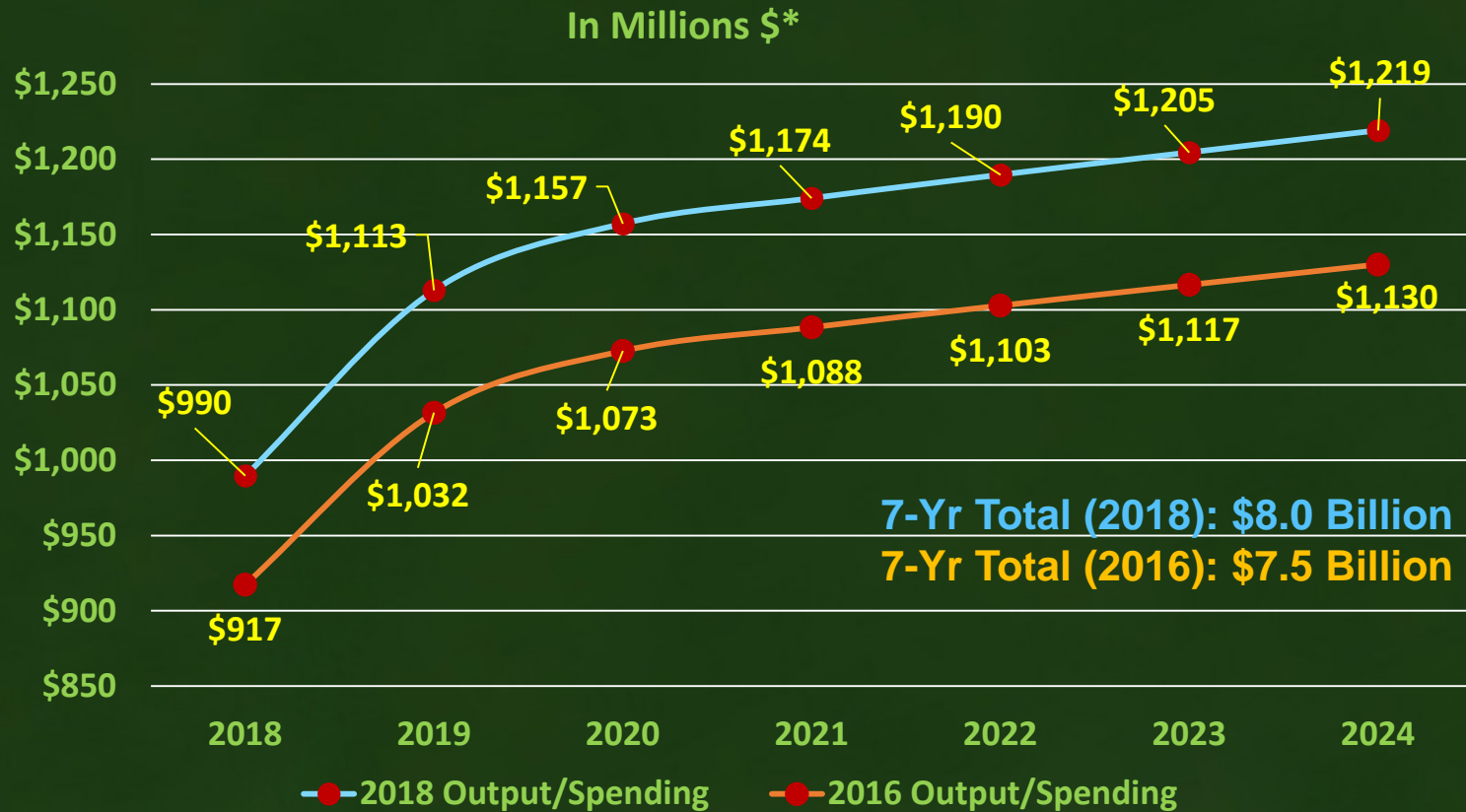
- *Taxable Retail Sales of Marijuana (Taxation)*
- *Excise Revenues (Taxation)*
- *NDA Survey*

✓ Assumptions

- *No Substitution Effects*
- *Supply/Demand Pooling (Industry demands accommodated in-state)*
- *Economic Leakage (Leakage still exists)*
- *Annual Growth Rate based on 2016 Report (70% to 90% to 95%)*
- *No shift in preference (Marijuana popularity won't change)*

Economy mooning

2016 vs. 2018 Total MJ NV Economic Output (\$) : 2018–2024



*Includes Excise Tax Revenues

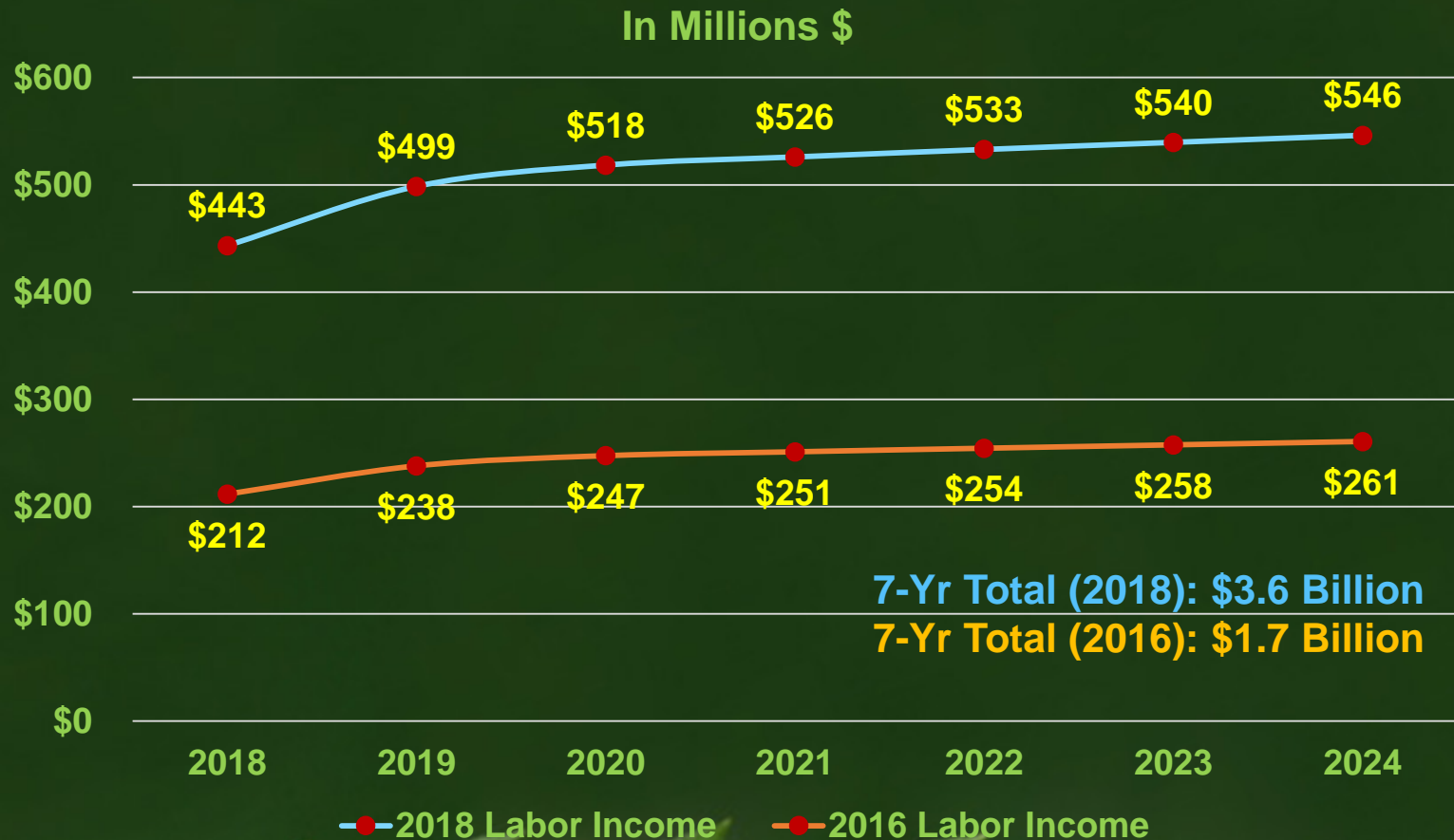
Up, up &...steady as she goes

2016 vs. 2018 Total MJ NV Jobs: 2018 – 2024



It's good to get paid

2016 vs 2018 Total MJ NV Worker Income (\$): 2018 – 2024



Paying the Man

Some taxes more equal than others

- ✓ Sales & Use (Varies by County)
 - 7.6% - 8.265%
- ✓ Wholesale Excise (15% on Cultivators)
- ✓ Retail Excise* (10% on Dispensaries)
- ✓ Commerce (Varies by License Type: 0% up to \$4M)
- ✓ MBT (1.475% on Payroll over \$50,000 per quarter)
- ✓ License Fees (Varies by Jurisdiction)
 - ~3% of cultivator & dispensary revenue

* Retail Excise Tax was not part of original ballot initiative

The winners

- ✓ Sales & Use – State, Counties & Jurisdictions
- ✓ Wholesale Excise – Schools
- ✓ Retail Excise – State Rainy Day Fund
- ✓ Commerce – State General Fund
- ✓ MBT – State General Fund
- ✓ License Fees – Local Jurisdictions

2016 vs. 2018 FBA

- ✓ Most projected tax revenues can't be directly compared to 2016 study
 - *Sales & Use, MBT & License Fees rates changed*
 - *Retail Excise Tax not part of ballot initiative*
- ✓ Commerce Tax & Wholesale Excise didn't change
 - *Commerce Tax: \$0.5 M (2016) vs \$2.5 M (2018)*
 - *Wholesale Excise Tax: \$147 M (2016) vs \$212 M (2018)*

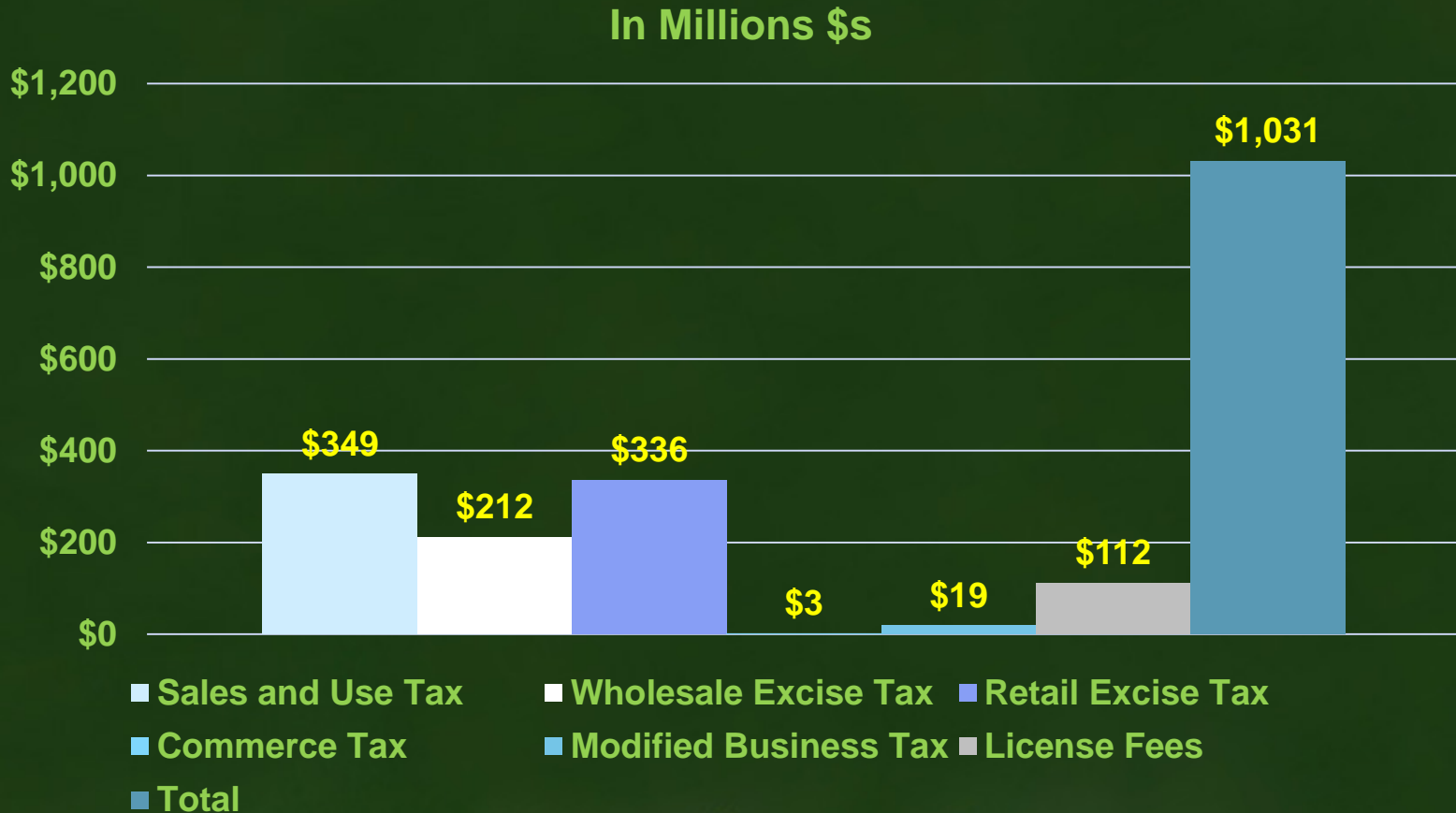
Government always wets its beak

Total Annual MJ NV Taxes & Fees: 2018 – 2024



Government always wets its beak, cont.

Total MJ NV Taxes & Fees, by Type: 2018 – 2024



The competitive price chain

1. As taxes go up, so do production costs, & supply declines
2. Less supply results in new, higher break-even price leading to less demand
3. As price rises in legal rec. market, the black market price doesn't change, becoming more attractive
4. Some consumers will opt for black market MJ
5. Conclusion: higher taxes will lead to higher legal market prices, causing higher black market sales & slowing legal market takeover



The End



Questions?



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