



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

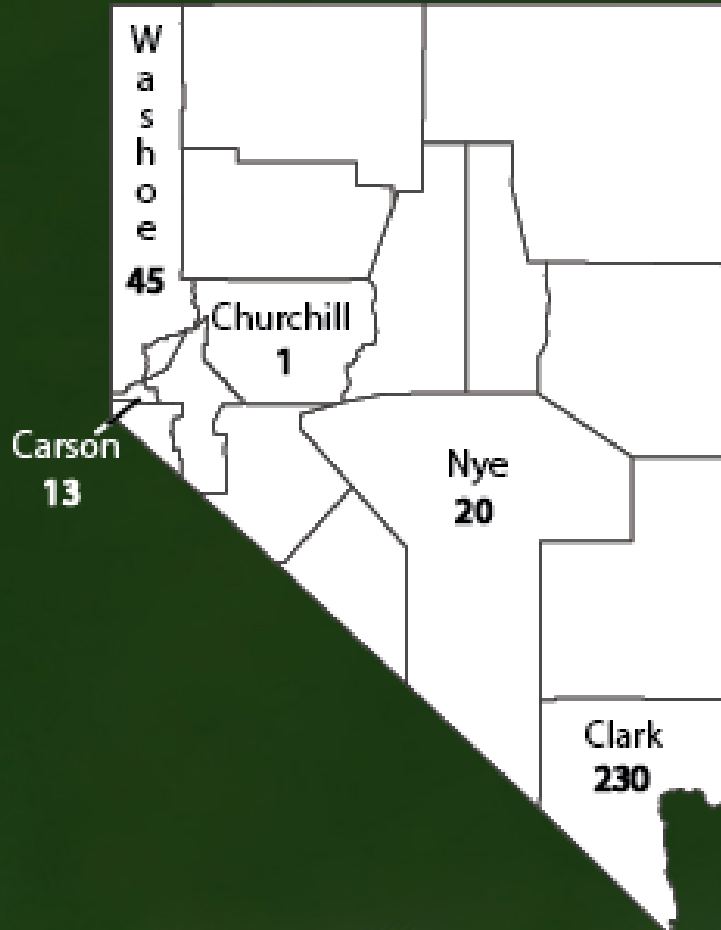
(As of 12/2017)



# NV Licenses: The what

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

# 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
<b>Total</b>	<b>60</b>

# 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 3<sup>rd</sup>-party services (N=38)
- ✓ Planning to hire more workers in next year:  
Yes: **76% Yes**      No: **24%** (N=38)

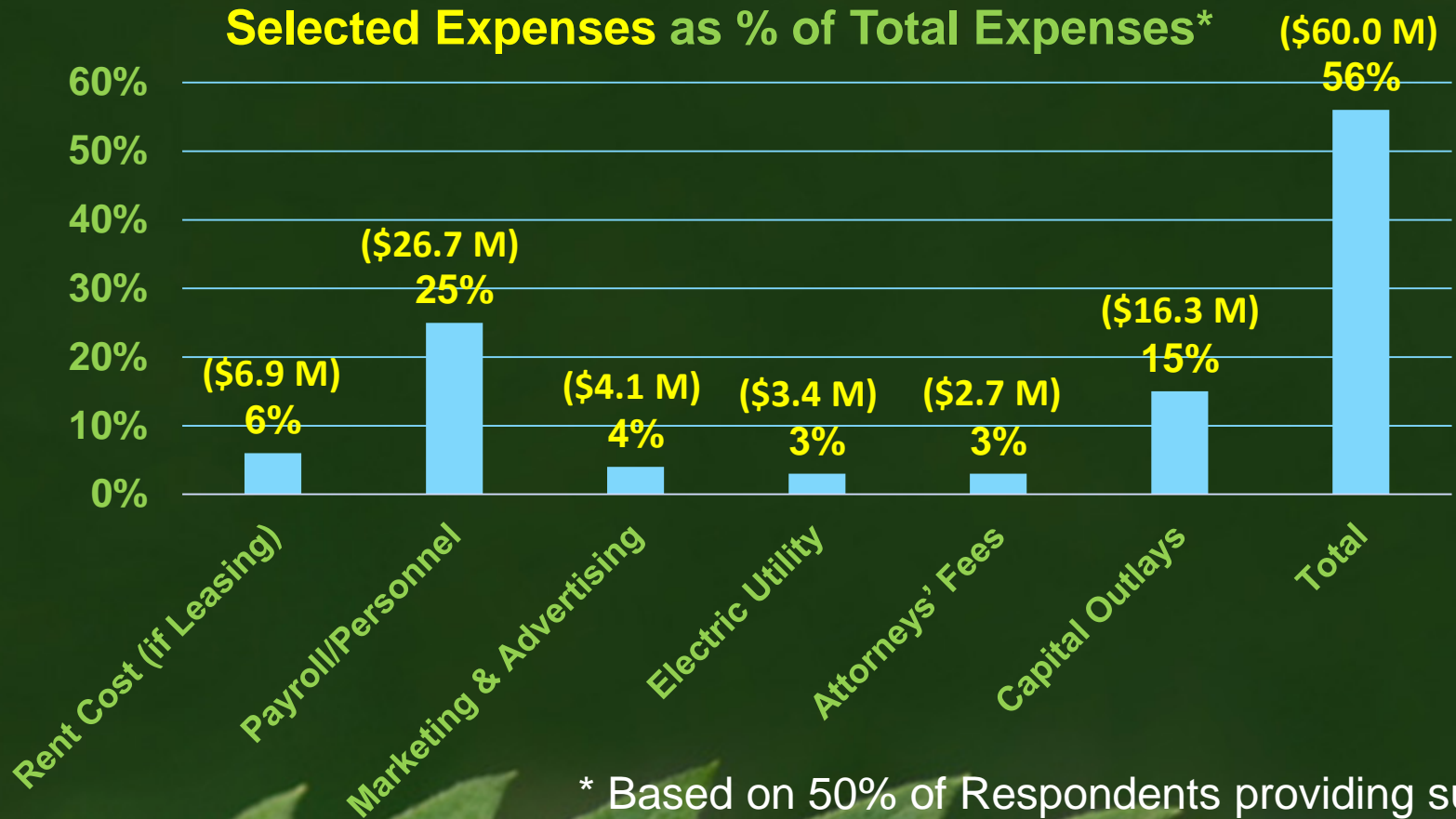
# Survey says what? cont.

- ✓ Total Yr. Firm Expenses: **\$107.0 Mil** (12/2017, N=37)
- ✓ Total Yr. 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

<b>Tax</b>	<b>Paid</b>
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
<b>Total</b>	<b>\$26,089,000</b>



# 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

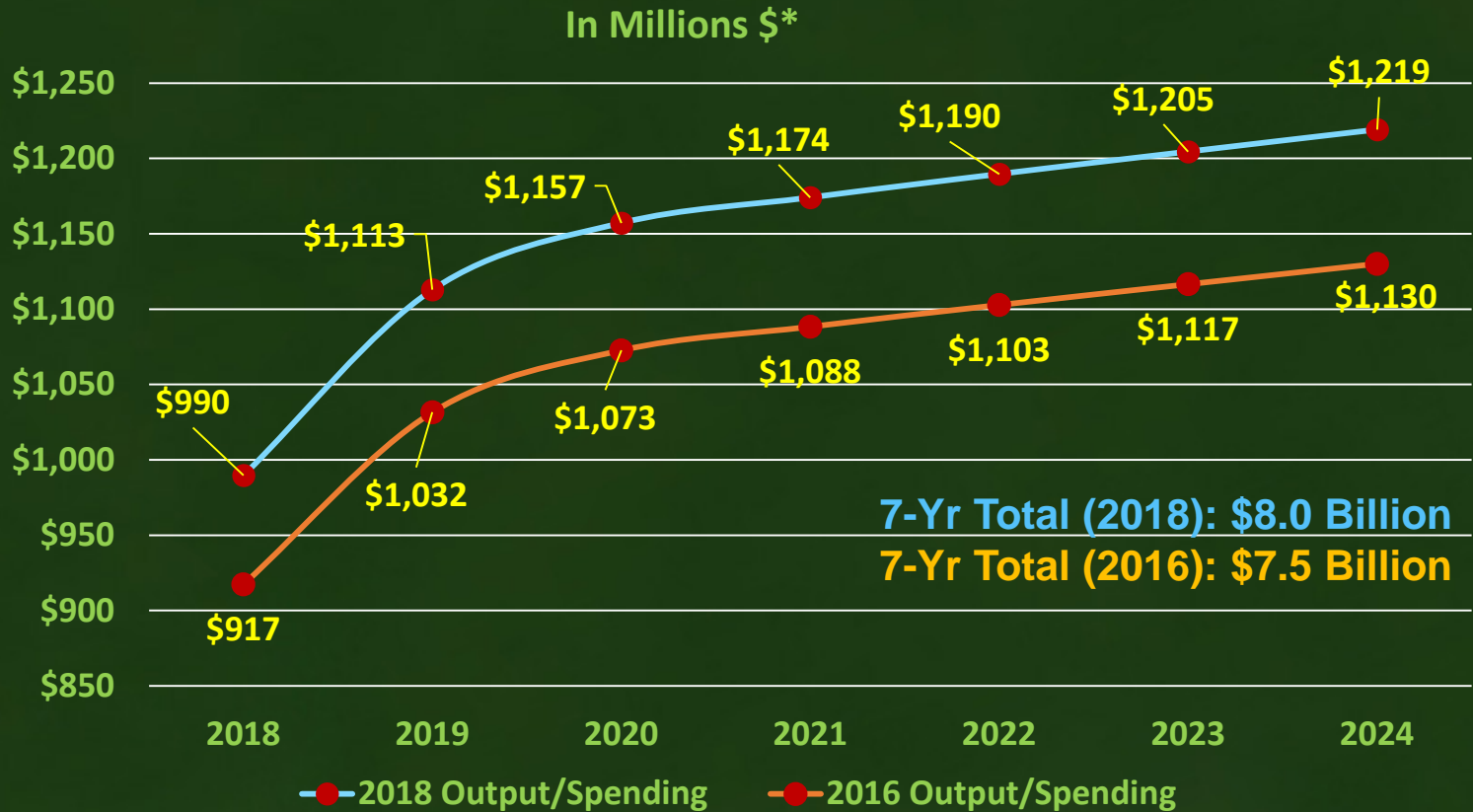
- *Taxable Retail Sales of Marijuana (Taxation)*
- *Excise Revenues (Taxation)*
- *NDA Survey*

## ✓ 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)*

# Nevada economy to benefit a lot

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



\*Includes Excise Tax Revenues



# Jobs up, up &...steady as she goes

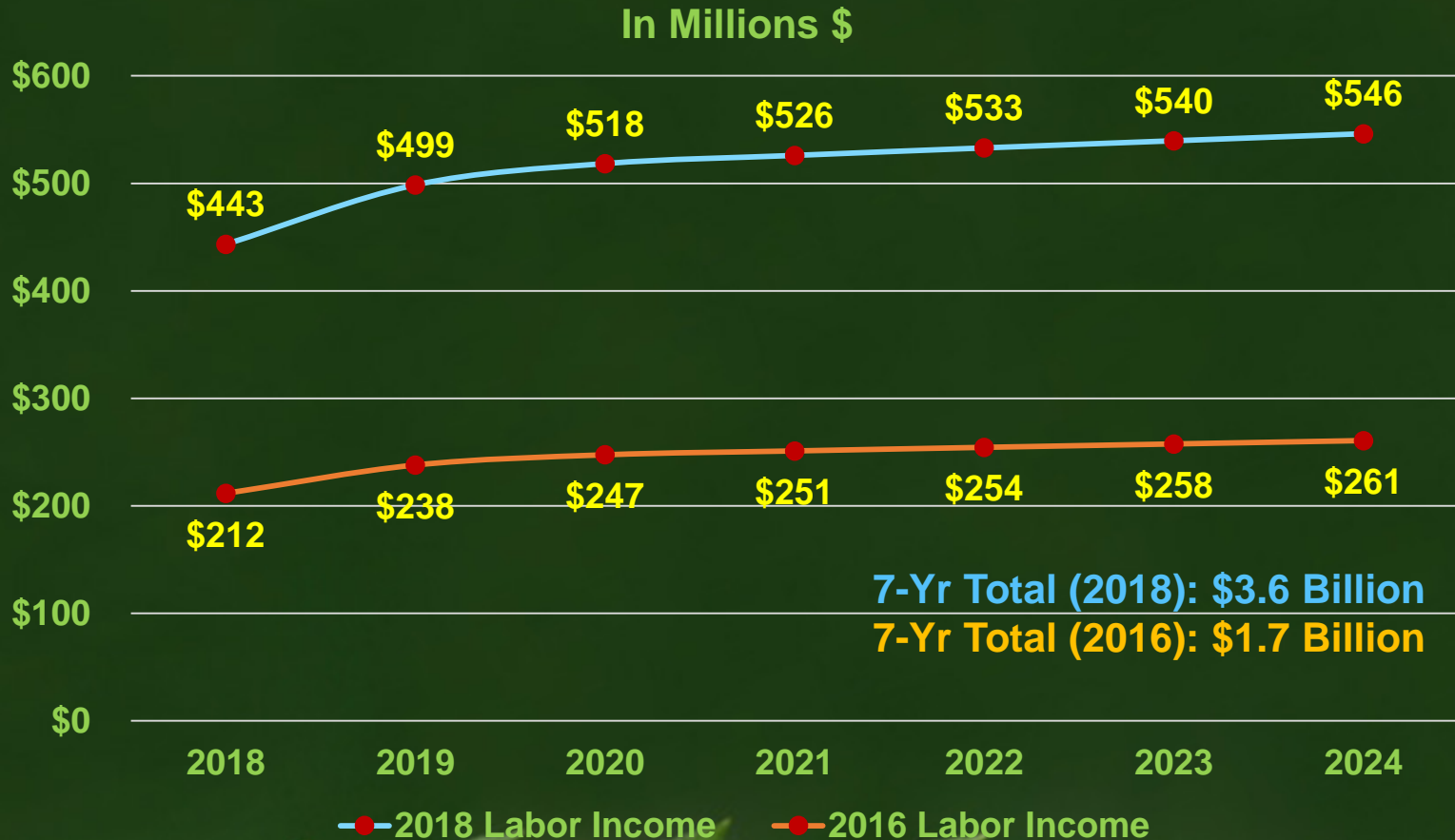
2016 vs. 2018 Total Projected MJ NV Jobs: 2018 – 2024





# MJ industry workers also benefit

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)*

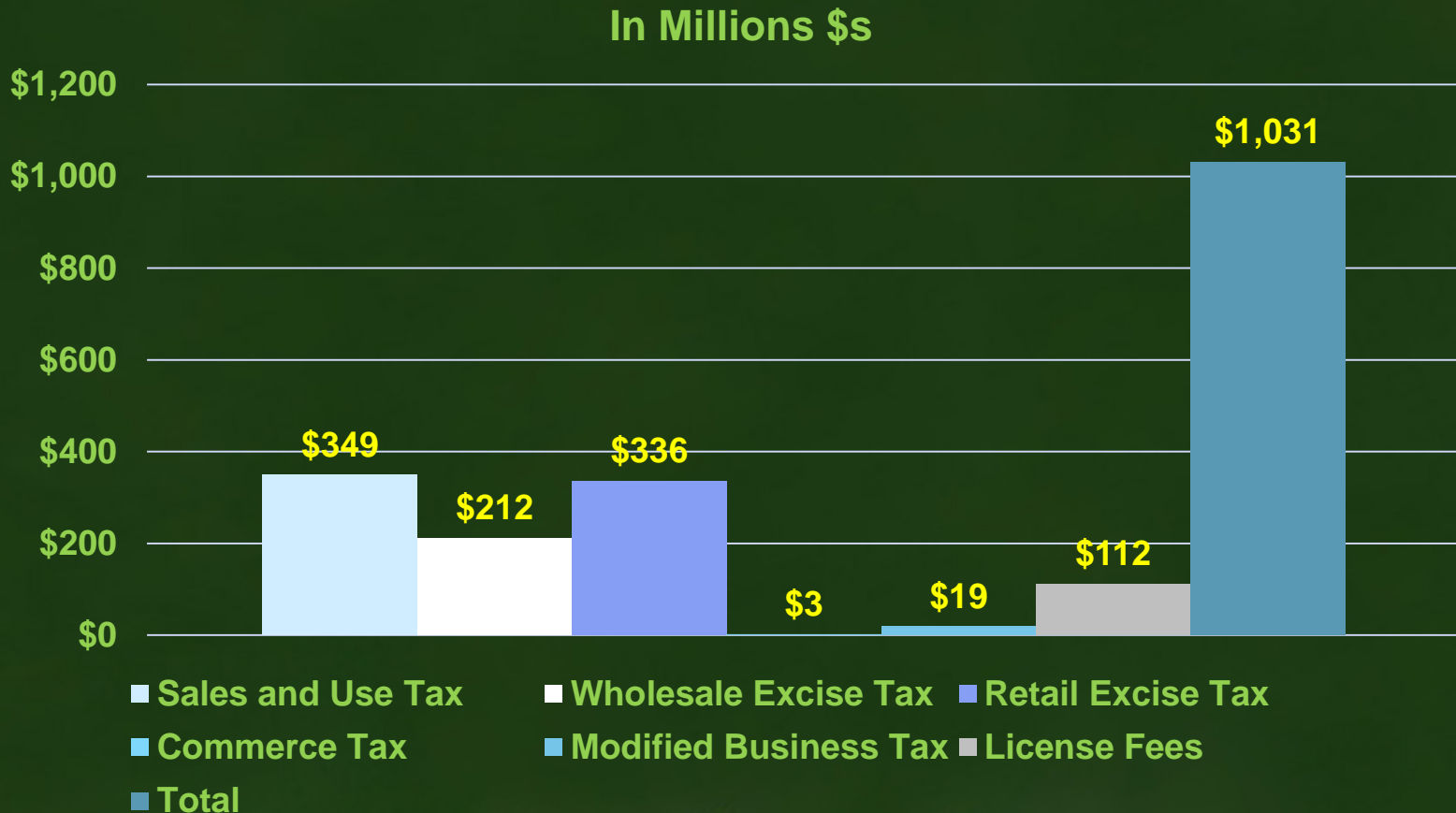
# Government always wets its beak

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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