

Arkansas Medical Marijuana Amendment (AMMA)

Administrative Implementation

The AMMA is a constitutional amendment certified for the 2016 ballot that would authorize medical marijuana products in the State of Arkansas sold by licensed Dispensaries, grown by licensed Cultivation Facilities, and administered by the Department of Health, DFA-Alcohol Beverage Control Administration, DFA-Alcohol Beverage Control-Enforcement, and a newly created Medical Marijuana Commission.

Administrative Analysis

Because there are limited banking services available under Federal law, the Dispensaries and Cultivation Facilities will be cash-based businesses creating potential administrative difficulties.

- Payment of taxes cannot be made online through the ATAP system. Only the Central Revenue Office accepts cash for payment of taxes. This includes both sales and withholding taxes.
- Additional audit staff and audits are required for primarily cash-based businesses necessitating additional audit staff, expenses, and audit procedures.
- Cash based return payments may require additional security and secure facilities.
- ABC Oversight may require additional office space in addition to additional employees
- The AMMA puts significant regulatory oversight on DFA-Alcohol Beverage Control, both in terms of Administration in registering individuals as well as providing personnel for the newly formed Commission, and Enforcement.
- Unlikely that the Commission will have sufficient special revenue to hire the necessary employees with estimated \$22,000 revenue share (See DFA AMMA 2).
- Unclear whether an existing ABC permit holder would be barred from also acting as a dispensary under current law; unclear whether existing law prohibiting possession of illegal drugs and paraphernalia at ABC permitted locations would apply to medical marijuana.

Tax Administration Analysis

Under the AMMA, sales of medical marijuana will be subject to state and local sales taxes which may create uncertainty or regulatory difficulty because of the different statutory schemes.

- The AMMA does not prohibit special excise taxes on medical marijuana; the General Assembly may be able to levy additional taxes to offset the administrative costs.
- Applicability of certain sales and income tax standards and exemptions are unclear on the production and sale of cannabis.
- Marijuana sales will need to be reported separately from the sale of paraphernalia and related items sold by Dispensaries to ensure the special revenue provisions of the AMMA are followed.
- Estimated costs for DFA to administer - \$1,984,000 to \$2,705,000 (See DFA AMMA 2 & 4)

Budget Analysis

The additional costs required to administer the AMMA may not be accounted for in the AMMA.

- The AMMA provides 20% of the sales tax revenue from medical marijuana to administrative costs; this may not be sufficient to cover the costs of the Department of Health, DFA, ABC, and the Medical Marijuana Commission to administer the AMMA. (See DFA AMMA 2 & 4)
- The actual revenue amount to be generated is unclear and it is possible that 18 to 24 months would pass before estimated annual revenues of \$2,487,544 are received. (See DFA AMMA 3)
- The AMMA would allow additional taxes to be levied on the sales of medical marijuana to offset the potential budgetary shortfall.
- Estimated Revenue available to DFA - \$87,000 (See DFA AMMA 2 & 4)
- Estimated General Revenue available - \$652,000 (See DFA AMMA 2)
- The AMMA would allow the General Assembly to amend the distribution of revenue generated to offset the budgetary shortfall.

Arkansas Medical Marijuana Amendment of 2016

The Initiated Act would levy all state and local sales taxes on the sale of Medical Marijuana. The Amendment is silent on the levy of other types of state taxes.

The state sales tax revenues received shall be distributed as follows:

- 5% to Department of Health
- 2% to Alcohol Beverage Control Administrative Division
- 2% to Alcohol Beverage Control Enforcement Division
- 1% to Medical Marijuana Commission
- 10% to Skills Development Fund of the Department of Career Education
- 50% to Vocational and Technical Training Special Revenue Fund
- 30% to State General Revenue

	Annual Revenue Impact
TOTAL Estimated Revenue Gain at 6.5%	\$ 2,487,545
---State Central Services (2,2%)	\$ 54,726
---Constitutional Officers (1.0%)	\$ 24,875
Sales Tax Revenue for Distribution	\$ 2,407,943
Less:	
Other Constitutional Amendment Sales Tax Levies	
---Conservation Tax (.125% Sales Tax)	\$ 46,307
---Highway Fund (.5% Sales Tax)	\$ 185,226
Remaining Sales Tax Revenue for Distribution	
Under the Medical Marijuana Amendment of 2016	\$ 2,176,410
--- 5% to Department of Health	\$ 108,820.52
--- 2% to Alcohol Beverage Control - Administrative	\$ 43,528.21
--- 2% to Alcohol Beverage Control - Enforcement	\$ 43,528.21
--- 1% to Medical Marijuana Commission	\$ 21,764.10
--- 10% to Department of Career Education	\$ 217,641.04
--- 50% to Vocational and Technical Training	\$ 1,088,205.22
--- 30% to State General Revenue	\$ 652,923.13

Estimated DFA Costs				
AMMA	Annual	One-Time	Total	Initial Deficit
Low	\$ 1,674,431.00	\$ 309,500.00	\$ 1,983,931.00	\$ (1,896,874.58)
High	\$ 2,361,008.78	\$ 344,500.00	\$ 2,705,508.78	\$ (2,618,452.36)
Estimated ADH Costs				
AMMA	Annual	One-Time	Total	Initial Deficit
Low	\$ 646,376.00	\$ 1,571,000.00	\$ 2,217,376.00	\$ (2,108,555.48)
High	\$ 894,827.00	\$ 2,340,000.00	\$ 3,234,827.00	\$ (3,126,006.48)
				Total Deficit
			Low	\$ (4,005,430.06)
			High	\$ (5,744,458.84)

	Medical Marijuana Selling State	Medical Marijuana Sales	State Population (2015)	Average Marijuana Sales per Capita
	Maine	\$ 23,600,000.00	1,329,328	\$ 17.75
	New Jersey	\$ 8,300,000.00	8,958,013	\$ 0.93
	Nevada	\$ 37,918,768.27	2,890,845	\$ 13.12
	Rhode Island	\$ 22,000,000.00	1,056,298	\$ 20.83
	Illinois	\$ 27,600,000.00	12,859,995	\$ 2.15
	New Mexico	\$ 46,601,845.96	2,085,109	\$ 22.35
	Total Sales	\$ 166,020,614.23		
	Average Marijuana Sales per Capita of the 6 States			\$ 12.85
	Arkansas Population - 2015 Census			2978204
	Average Marijuana Sales per Capita			\$ 12.85
	Estimated Arkansas Medical Marijuana Sales			\$ 38,269,921.40
	Estimated Arkansas State Sales Tax Revenue at 6.5%			\$ 2,487,544.89
	Reference: Medical Marijuana Statistical Data Compilation			

Estimated Administration Cost of AMMA

Numbers are preliminary and draft.

Division	One-Time High	One-Time Low	Annual High	Annual Low
<u>ABC Enforcement</u> 6 Agents	\$ 218,500.00	\$ 218,500.00	\$ 327,756.80	\$ 327,756.80
<u>ABC Admin</u> 1-3 Employees	\$ 100,000.00	\$ 75,000.00	\$ 170,756.08	\$ 81,057.00
<u>DFA Audit</u> 6-11 Employees	\$ 22,000.00	\$ 12,000.00	\$ 780,466.20	\$ 435,560.20
<u>DFA Legal</u> 1 New Attorney	\$ 2,000.00	\$ 2,000.00	\$ 93,897.70	\$ 90,376.00
<u>DFA Admin</u> 2 New Employees	\$ 2,000.00	\$ 2,000.00	\$ 93,305.00	\$ 93,305.00
<u>ADH</u> 10-13 New Employees	\$ 2,340,000.00	\$ 1,571,000.00	\$ 894,827.00	\$ 646,376.00
			Low	High
		<u>Annual</u>	\$ 1,674,431.00	\$ 2,361,008.78
		<u>One Time</u>	\$ 1,880,500.00	\$ 2,684,500.00
AMMA - ABC, Admin, Audit, & Legal		<u>Annual</u>	<u>One-Time</u>	Total
Low		\$ 1,674,431.00	\$ 309,500.00	\$ 1,983,931.00
High		\$ 2,361,008.78	\$ 344,500.00	\$ 2,705,508.78
AMMA - ADH		<u>Annual</u>	<u>One-Time</u>	Total
Low		\$ 646,376.00	\$ 1,571,000.00	\$ 2,217,376.00
High		\$ 894,827.00	\$ 2,340,000.00	\$ 3,234,827.00