

Colorado, exceeded their own initial projections.¹² Other governments, such as New York City and California, have had more disappointing returns. This report will focus on Vermont, California, and New York City as illustrative examples of the accuracy and inaccuracy of legal marijuana revenue projections across the country.

As to why some of these projections were inaccurate, it is challenging to provide a definitive answer. This is because any research on projections is still ongoing. However, the aim of this report is to provide a list of states and cities where revenue projections fell short, and then provide data on how state regulation affected the legal marijuana market. It is important to note that state and city governments only receive revenue from legal, licensed marijuana sellers. Illicit marijuana markets exist everywhere and do not contribute to the state's tax revenue.¹³

States Revenue Projections

State governments create revenue projections in a variety of ways. As of 2015, 15 states and the District of Columbia had their own formal revenue estimating process, which managed projections. In eight states, the executive branch was entirely responsible for forecasting revenue for the budget. In eight other states, an independent board or commission, many of these states, however, different actors from across the state government cooperate on budget forecasting. This approach, called, "consensus forecasting," is utilized in twenty-five states. It involves input from legislative committees, executive agencies, and other organizations.¹⁴ Vermont utilizes this approach.¹⁵

Overall, state revenue forecasts have decreased in accuracy over the last several decades.¹⁶ This cannot explain the inaccuracy of marijuana revenue projections, however, nor does it explain the

cultivators affected by the flood will yield between fifty and seventy-five percent of what they grew in 2022.⁸¹

New York City

The 2018 projections by the New York City Comptroller's Office and Bureau of Budget estimated that with a ten percent

As of August 2023, however, only nine dispensaries have opened. This is despite the start of granting nearly two hundred licenses since the passage of the MARIJUANA Tax and Control Act. City and state officials have revised their revenue projections accordingly. The New York City Office of Management and Budget currently projects that the city will take in \$20 million in 2024, with that figure growing to \$38 million by 2027.

It is impossible to determine exactly why revenues failed to meet projected estimates. Looking at the current state of the New York marijuana regulatory regime, however, can provide insight into the factors that may affect revenues.

Recreational marijuana in New York City is taxed on multiple levels. First, New York State law imposes a sales tax that retailers must pay when selling to consumers. New York City also imposes its own sales tax. The combination of these two sales taxes is \$5 (Tw 9.ijuTc 0 Tw 7nTc 0 Tw 7 (ig)1

consumers. In contrast, all New York's regional neighbors besides Pennsylvania have legal retail marijuana markets.⁴⁵

New York's licensing requirements may have also affected revenues. To attempt to correct for historical social inequalities, the MRTA required that early licenses be granted in a manner that "prioritizes social and economic equity applicants



high demand for cannabis is met by unlicensed sellers. It is important to note that the activity of unlicensed sellers results in no tax revenue to be had by the state. The operation of illicit cannabis

within the state.⁵⁹ The illicit market presents inherent competition to the legal market but also has advantages over the legal market. Without the need to comply with regulations, the production process for illicit sellers is less costly and therefore they are able to offer more competitive prices.⁶⁰