

FACTORS TO CONSIDER

Fiscal Impact of Measure 5

The Challenge

No tax rate established.
Variables in projecting exact revenue from legalization since it's new to ND.

The Solution

Reference the success of ND's current medical program and the data from other states that have legalized to establish an informed fiscal impact.

What We Know

- No state with legalized adult-use cannabis reported a negative fiscal impact after the first biennium, despite some indicating they might.
- North Dakota's standard 5% excise tax rate should be the **minimum considered** when evaluating the fiscal impact.
- North Dakota's medical marijuana market has generated revenue and created jobs. The recreational market would undeniably be **significantly larger**.
- The program will **receive approximately \$2.4 Million** for business licenses biannually based on license fees and the number of dispensaries and cultivations allowed.
- Legalizing adult-use cannabis could immediately inject about **\$37.5 million into the economy** for constructing new retail and manufacturing facilities, create over 350 full-time jobs, and contribute roughly **\$30 million annually** in operating expenses back to North Dakota's economy.

What We're Asking

- Include a **reasonable tax revenue estimate** in the fiscal impact on the ballot to give North Dakotans a more complete picture.
- If providing a tax revenue estimate is not possible, include an unknown impact or a disclaimer that tax revenue information is not included in the fiscal impact statement.

Based on data from six other states that have legalized recreational marijuana, we've calculated low and high estimates as well as an average to determine what North Dakota can expect to see in revenue.

19.5 Million Dollars
in Estimated Tax
Revenue for
North Dakota.

North Dakota Tax Revenue Estimates

Low • 5% Tax Rate

Average

High • 20% Tax Rate

\$7.65 M Revenue for North Dakota

\$19.46 M Revenue for North Dakota

\$11.5 M-\$29 M Revenue for North Dakota

The data shows it's not realistic to predict a negative fiscal impact.

Data was correlated from other states that have legalized. Due to the significant differences in tax and business structures across states, it can be challenging to find detailed data that is easily comparable to North Dakota. Therefore, data was referenced from six states that have legalized [cannabis] and provide sufficient tax and revenue reporting.

Data Points Referenced

The following chart shows what states were compared, the key data points of comparison, and the factors that infer North Dakota's expected tax revenue from cannabis legalization.

State Referenced	2022 Estimated Eligible Population 19+*	Recreational Tax Rate	Tax Revenue Year Collected	Tax Revenue (Med & Rec)	\$/ Person	2022 ND Estimated Eligible Population 19+	ND Estimated Equivalent Revenue
MT	898,884	20%	2022	\$51,636,106.00	\$50.88	572,608	\$32,893,284.77
MO	4,654,150	6%	2023	\$62,166,000.00	\$13.36	572,608	\$7,648,388.84
RI	848,494	20%	2023	\$15,049,391.454	\$20.05	572,608	\$10,156,114.18
MI	7,609,008	16%	2022	\$198,400,000.00	\$26.07	572,608	\$14,930,386.09
VT	520,945	20%	2023	\$15,150,000.00	\$29.08	572,608	\$23,887,199.33
AZ	5,376,574	~20%	2022	\$255,997,918.00	\$47.61	572,608	\$27,263,914.87

Average Estimate for North Dakota \$19,463,214.68

*Measure 5 defines adults in North Dakota as 21+. Population data for 21+ exclusively was not readily available.

Sources

Arizona Department of Revenue, Michigan Department of Treasury, Missouri Department of Revenue, Rhode Island Department of Business Regulation, Vermont Department of Taxes, The Motley Fool, Data USA.

Immediate Impact on the State Economy: Approximately \$37.5 million in opportunities to build out newly licensed retail and manufacturing facilities based on data provided by existing local operators.

Annual Impact on State Economy: The creation of approximately 350+ full-time jobs as a result of Adult-Use Cannabis with roughly 54% of them being tied directly to the retail and cultivation sector while ancillary jobs (such as in legal services, marketing, security, and equipment supply) account for the bulk of the remaining 46% of jobs.

Approximately \$30 million in annual operating expenses are produced by retail and manufacturing facilities that feed back to North Dakota's economy.

Current Medical Program Expenses and Revenue As a Reference: The North Dakota Medical Marijuana Program has demonstrated a positive economic impact on the state. In 2023, with only 9,500 qualifying patients, the program achieved over \$21.6 million in sales, resulting in approximately \$1.5 million in tax revenue. During the 2021-2023 biennium, the Division of Medical Marijuana reported total expenses of \$1,609,658, which were lower than the \$2,114,824 in fees collected from patients and licensees. This shows a profit of \$505,166 in the program operation alone, excluding the significant tax revenue. With this information, you can infer an **even greater tax benefit** from adult-use legalization.