

Colorado's \$1 Billion Pot Industry Saves Towns as It Sows Mayhem

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March 9, 2016 — 3:00 AM MST



Marijuana plants grow in a greenhouse that is part of Los Suenos Farms in Avondale, Colorado.

Photographer: Matthew Staver/Bloomberg

- ▶ Cities and counties share in \$135 million of state tax revenue
- ▶ Fifth-graders become dealers as more marijuana crosses borders

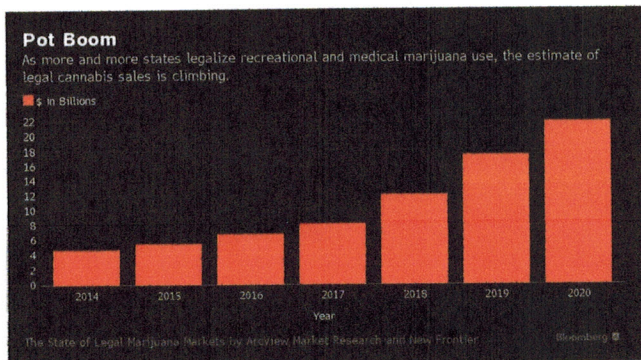
Taxes generated by Colorado's \$1 billion marijuana industry are keeping some struggling towns solvent even as growing numbers of high-schoolers are getting stoned at lunch, police are coping with a doubling of cannabis-related traffic deaths and doped-up tourists flock to emergency rooms.

About 938 dispensaries, which outnumber Starbucks in Colorado, in 2015 yielded \$135 million in state taxes and fees, 44 percent more than a year earlier. Yet as the market enters its third year after voters legalized retail sales in 2012, officials question whether the newfound income outweighs the escalating social costs.

"People here don't really care for marijuana, but the sales tax from pot is helping us stay afloat," said

Richard Sprague, a town trustee in Empire, 42 miles (67 kilometers) west of Denver, where two dispensaries are replacing revenue lost after antique and convenience stores closed in 2015.

Colorado isn't alone in making money off pot as it emerges from prohibition. In Washington, where advocates sold voters on legalization as a way to decrease local-government expenses, dispensaries generated \$65 million in state taxes in fiscal 2015, about \$6 million of which was shared with cities. California may legalize retail sales this year in a ballot initiative that could generate as much as \$1 billion in new state and local levies.



Colorado's legal pot is hard to contain. Sheriffs in neighboring states are overwhelmed by an influx of marijuana, according to a September [report](#) by a consortium of federal, state and local drug-enforcement agencies. The U.S. Supreme Court is reviewing a case filed by the attorneys general of Nebraska and Oklahoma against Colorado that argues drugs are spilling across state lines, burdening law-enforcement agencies.

Driving High

At home, the money flows. Denver, home to 85 percent of Colorado's pot stores, collected about \$29 million in marijuana taxes and fees in 2015, with \$11 million budgeted to pay for regulation, enforcement and drug prevention. The rest went into the city's general fund. Yet local officials placed a moratorium on new outlets until May after an economist found the market saturated, and police said the industry is stretching already-strained resources.

A driver who told police he was under the influence of cannabis and alcohol caused a fiery six-vehicle accident in Denver in August, killing one and injuring several others. In Colorado, about 20 percent of 2014 traffic fatalities involved drivers who tested positive for cannabis, according to the report. And emergency-room visits at one Aurora hospital by high out-of-state residents doubled that year, according the New England Journal of Medicine.

“In practice it’s been very difficult, if not impossible, to get our arms around what the impact is in Colorado,” said Marco Vasquez, chair of the marijuana issues subcommittee for the Colorado Association of Chiefs of Police. “I don’t know that the revenue gained will ever outweigh what the social costs are.”

School counselors told researchers who compiled the law-enforcement report that so many kids are high it’s impossible to apprehend all but the most impaired. In one instance, a counselor reported that a father allowed two brothers to “smoke a bowl” before school. Others noticed an increase in number of parents showing up to school stoned.

At Monfort Elementary School, four 10-year-olds were caught buying and selling edible candy bars they stole from their grandparents in April 2014, shocking John Gates, the director of safety and security for Greeley-Evans School District 6.

“I’ve often said I’ve seen it all and clearly I haven’t,” said Gates, a former police officer.

Ancient Mains

The money is welcome relief. Some cities and counties are counting cannabis-tax revenue as a windfall, using it to avoid borrowing for infrastructure upgrades and to prop up economies hammered by downturns in the oil and gas markets.

Denver budgeted \$3 million for construction of a recreation center that had been 10 years in the making. Next door in Aurora, officials designated \$2 million for debt service on a sports facility, \$3.8 million for transportation projects and \$1.5 million to address homelessness.

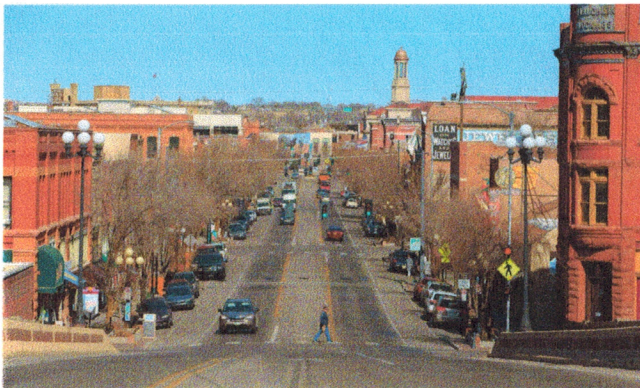
In Trinidad, a former mining town 11 miles north of the New Mexico border, officials used a portion of \$850,000 in weed revenue to dig up 140-year-old brick streets and replace clay and wooden water lines so old they didn’t appear on maps. The taxes make up 10 percent of the city’s budget and are replacing revenue lost to declining property taxes after railroad and mining operations and a PepsiCo Inc. distributor closed.



Los Suenos Farms

Photographer: Matthew Staver/Bloomberg

Eighty-five miles north, on Pueblo County's dusty sun-baked plains, a 5 percent excise tax will apply to sales of up to 20 tons of marijuana grown at Los Suenos Farms, the nation's largest legal outdoor cannabis facility. That's expected to help generate \$1.7 million in college scholarships the county will award to students. An additional \$1.7 million collected from the farm and the county's 88 other licensed cultivators will fund sidewalks on rural roads and other projects.



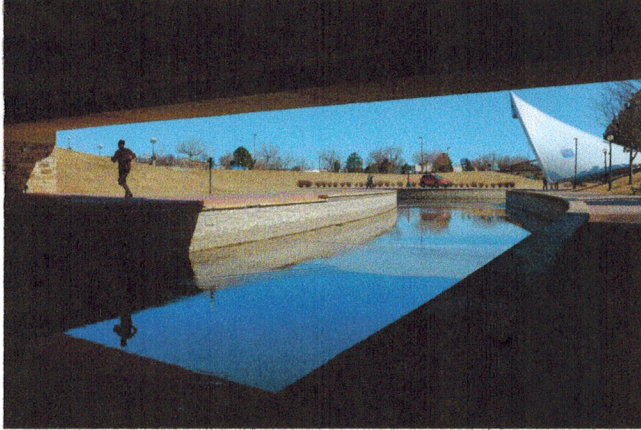
Downtown Pueblo

Photographer: Matthew Staver/Bloomberg

“We tend to be one of the poorer counties in the state with a lower per-capita income and a higher unemployment rate,” said Sal Pace, a county commissioner, adding that two-thirds of construction under way in unincorporated areas is cannabis-related. “We want to use this revenue to turn it around.”

Desperation Vote

Investors in the 36-acre Los Suenos Farms are spending locally, buying GPS-controlled tractors and dozens of other agricultural products from nearby stores, said Michael “Caddy” Cadwell, the director of sales.



The recently renovated Pueblo Riverwalk

Photographer: Matthew Staver/Bloomberg

“The scholarships are something that couldn’t have happened before,” he said as 2,675 plants, including some tagged “Golden Skunk,” swayed underneath a fan in a massive greenhouse. Some 88,000 deaths a year are alcohol related, he said. “I don’t see the alcohol industry paying for scholarships.”

About 325 miles away on the state’s struggling Western Slope, declining oil and gas tax revenue threatened DeBeque with bankruptcy. Residents two years ago approved several dispensaries and grow operations “more or less out of desperation,” said Lance Stewart, the town administrator.

“The community can, for once, start replacing streets, curbs and gutters and reline settling ponds for sewers,” he said.

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