



Colorado: The Economy After Legalization and Regulation

As the first state with operational adult use marijuana stores — which opened in January 2014 — Colorado is the state people look to most to see how states are faring after replacing marijuana prohibition with regulation. In short, it's doing exceptionally well: *Business Insider* ranked Colorado as the third-strongest economy among U.S. states, while the second state with legal adult marijuana sales — Washington — ranked first.¹ Growth has been particularly noticeable in the real estate, tourism, and education sectors.

An economic report prepared by the Rand Corporation explains the advantage of being a “first-mover” state. With no competition from neighbors, states that legalize adult use sales early may see “enormous demand” which can be “a great opportunity for generating a tax windfall.”² Twelve percent of Americans report consuming marijuana in the past year, and many consider cannabis’ legal status when considering where to travel. The longer a state waits to allow and regulate marijuana, the more jobs and revenue it will lose to other states.

Tourism

- In 2015, Colorado welcomed a record 77.7 million visitors who spent an all-time high of \$19.1 billion.³ This is a nearly 30% increase in tourists and a 14% increase in their spending since 2012, when 60 million visitors spent \$16.7 billion.⁴
- Colorado ski resorts enjoyed a record-breaking season in winter 2015-2016, with 13 million visitors.⁵
- Denver’s tourism has also skyrocketed. In 2015, 16.4 million overnight visitors stayed in Denver, spending a record \$5 billion — \$1.51 billion for lodging, \$1 billion at restaurants, and \$627 million in retail. Denver’s gains were double the national average for 2005-2015.⁶
- In 2015, Denver’s hotel-room occupancy rate was at 76%, despite the opening of 14 new hotels in the metro area.⁷
- Out-of-state visitors made up 44.5% of marijuana retail sales in Denver, and tourists’ retail spending tallied approximately 90% of sales in mountain communities in 2014.^{8,9}

Jobs

- From 2013 to 2014, Colorado had the largest drop in unemployment in the country, as measured by the percent by which it was reduced.¹⁰

¹ Kiersz, Andy. "RANKED: The Economies of All 50 US States and Washington, DC, from Worst to Best." *Business Insider*. Jan. 11, 2016.

² Jonathan Caulkins, et al, “Considering Marijuana Legalization: Insights for Vermont and Other Jurisdictions,” Rand Corporation, January 2015, p. 153.

³ Jason Blevins. "Colorado Breaks Tourism Record with 77.7 Million Visitors Spending \$19.1 Billion." *Denver Post*. July 20, 2016.

⁴ Blevins, Jason. "Colorado saw record tourism visitation and vacationer spending in 2012." *Denver Post*. July 22, 2013.

⁵ Blevins, Jason. "Colorado Ski Areas Set Visitor Record, Pass 13 Million for First Time." *Denver Post*. June 9, 2016.

⁶ Blevins, Jason. "Record 16.4 Million Tourists Spent \$5 Billion in Denver Last Year." *Denver Post*. June 15, 2016.

⁷ Markus, Ben. "Denver Hotels See A 'Quite Remarkable' Year: Occupancy Up As Economy Grows." *Colorado Public Radio*. January 27, 2016. <http://www.cpr.org/news/story/denver-hotels-see-quite-remarkable-year-occupancy-economy-grows>.

⁸ “Legal Marijuana Coming Into Focus: An Analysis of Colorado’s Policy Landscape,” *Colorado Health Institute*, April 20, 2015.

⁹ Miles Light, et al, “Market Size and Demand for Marijuana in Colorado,” Colorado Department of Revenue, July 2014.

¹⁰ Alicia Wallace, “Colorado adds 4,900 jobs in May, unemployment rate at 4.3 percent,” *Denver Post*, June 19, 2015.

- In 2015, Colorado continued to enjoy sustained, low unemployment rates. The September 2016 rate of 3.4% was among the lowest in the country. The non-farm employment rate was 3.6% higher than 2015 rates. As of July 2016, the Colorado economy added 57,500 non-farm jobs to the annual cycle.
- In September 2016 alone, 1,800 net jobs were added.¹¹
- 28,847 occupational licenses have been issued for jobs created directly by Colorado's marijuana industry.¹² This does not include collateral sector work such as lawyers, accountants, construction workers, landlords, security teams, and insurance agents.
- In 2016, Colorado is set to have its largest labor force in recent history. Total employment will include 238,000 more jobs than 2011 levels.¹³

Real Estate

- Colorado's home prices saw the largest increase of any state in 2014, rising by 9.8%. The Denver area saw home prices increase by 11.1%.¹⁴ A September 2016 article noted that Denver was still in the top three for annual increases in home prices, with the other two also being in states where adult marijuana sales are legal — Portland, Oregon and Seattle, Washington.¹⁵
- In the second quarter of 2016, Denver metro area's retail vacancy rate fell to 5.6%, its lowest rate in nearly in two decades.¹⁶
- Record-breaking construction spending is occurring. \$16,781,500,000 will be spent in 2016 in order to meet housing demands of 62,118 new Coloradans.
- Colorado's 2015 foreclosure rate was the lowest in over 20 years.¹⁷

Tax Revenue

- Colorado generated more than \$135.1 million in marijuana taxes and fees in 2015.¹⁸
- In 2016, Colorado is projected to generate between \$143 and \$185 million in marijuana taxes and fees.¹⁹

Education

- Colorado's universities are thriving in a post-legalization world. International student enrollment is up 20.9% at the University of Colorado Boulder and 19.8% at Colorado State University.²⁰
- In 2008, 67.6% of Coloradan graduates enrolling in college chose to stay in state. In 2014, this number rose to 76%.^{21,22}

¹¹ "Monthly Economic Indicators." Metro Denver Economic Development Corporation. September 2016.

¹² Email Communication with Robert Goulding, Marijuana Communications Specialist, Sept. 13, 2016.

¹³ Colorado Business Economic Outlook. Report no. 51. Leeds School of Business, University of Colorado, Boulder. 2016. 14.

¹⁴ Aldo Svaldi, "Colorado home prices rising at fastest rate in country," *Denver Post*, April 7, 2015.

¹⁵ Rusch, Emelie, "Denver home prices continued to rise in July amid slowing national market," *Denver Post*, Sept. 27, 2016.

¹⁶ Rusch, Emelie. "Denver's Retail Market Still Tight, but Sports Authority's Dissolution Looms." *Denver Post*, July 18, 2016. Accessed October 21, 2016.

¹⁷ "Colorado Business Economic Outlook. 2016

¹⁸ Colorado Department of Revenue. Marijuana Enforcement Division. Marijuana Tax Data Archive.

¹⁹ Henchmen, Joseph, and Morgan Scarboro. "Marijuana Legalization and Taxes: Lessons for Other States from Colorado and Washington." Tax Foundation, May 12, 2016.

²⁰ "Colorado Business Economic Outlook". 2016.

²¹ Colorado. Department of Higher Education. 2012 Legislative Report on the Postsecondary Progress and Success of High School Students. Denver, CO, 2012. 1-5.

²² Colorado. Department of Higher Education. 2016 Legislative Report on the Postsecondary Progress and Success of High School Students. Denver, CO, 2016. 1-5.