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Sent: Thursday, April 07, 2016 7:01 PM
To: Pepper, James
CC: Peterson, Mary; Mousley, Gregg
Subject: Administrative Budget - S.241
Attachments: Cannabis Administrative Budget (v4).xlsx

Hello,
Sorry for the delay!

Please see the attached budget for administering cannabis. After internal discussions and those with FAST, the only lines that changed concern FAST.

Our \$1.4M estimate for software development dropped to \$1.25M. Instead of staggering these payments over FY17 and FY18, we can pay the full amount in FY18, so we've pushed back that cost. However, the other change is the cost of vendor maintenance and support, which increased from \$5K to \$50K.

Our security costs for cash are based on the Tax Department collecting these revenues directly, and we'd ideally like to find a third-party that is set up for cash collections. The thinking is: Why build the infrastructure if we don't need to, especially since it appears the cash problem would be temporary (though we don't know how temporary). So, we are hoping to collect taxes for a lesser up-front cost, but we must prepare to collect them ourselves, as we currently have no alternative.

Let me know if you have any questions!

Candace

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	FY17	FY18	FY19	
Computer System				Notes
Software		\$ 1,250,000		CO's FAST module cost \$1.4M. FAST has indicated it would cost VT \$1.25M to develop during the project buildout. This software would not include the seed-to-sale software for enforcement, but would help to ensure tax compliance by working with tracking software.
Implementation Consulting	\$ 10,000			Costs for research, requirements development, or other research expenses
Vender Maintenance and Support		\$ 50,000	\$ 50,000	Ongoing M&S
Total	\$ 10,000	\$ 1,300,000	\$ 50,000	
Staffing Costs				
Business Analyst/IC	\$ 80,000	\$ 80,000	\$ 80,000	1 staff - lead SME during project development
Policy Analyst	\$ 80,000	\$ 80,000	\$ 80,000	1 staff - legal support
Tax Examiners		\$ 160,000	\$ 160,000	2 staff - call center and front end processing
Discovery		\$ 40,000	\$ 80,000	1 staff - data management for enforcement activities
Audit			\$ 80,000	1 staff - Audit activities
Collections			\$ 80,000	1 staff
Training		\$ 10,000	\$ 2,000	
Total	\$ 160,000	\$ 370,000	\$ 562,000	8 staff
Cash Collection Costs				
Vault/safe		\$ 75,000	\$ 5,000	WA costs = \$63k
Security/construction enhancements		\$ 550,000	\$ 100,000	WA costs = \$800k;
Cash equipment		\$ 50,000	\$ 5,000	WA costs = \$50k
2 internal staff Cash Mngmt		\$ 80,000	\$ 80,000	2 part time staff - needed Jul 2017 for training, bonding.
Total	\$ -	\$ 755,000	\$ 190,000	2 cash mngmt staff
Services				
Armored Car Services		\$ 30,000	\$ 60,000	WA costs = \$60k
Security Guards		\$ 60,000	\$ 60,000	
Total	\$ -	\$ 90,000	\$ 120,000	
Total	170,000	2,515,000	922,000	10 staff

Assumptions

- Enforcement Structure Similar to CO's with seed to sale tracking
- Ad Valorem separate excise tax and sales tax at the point of retail sale
- At least 30% cash collection in first year
- 1 Tax Collection Point with Employees Present
- 5 days a month for cash collection w/ appointments

S. 241 - Number of Filers

- Max number of cultivator licenses prior to July 1, 2018 = 20
- Max number of retail licenses prior to July 1, 2018 = 40
- Max numbers after July 1, 2018 - up to Public Safety