In November 2020, Arizona voters passed Proposition 207, the Smart and Safe Arizona Act (Act)—The Act relates to the responsible adult use, regulation, and taxation of marijuana and added Arizona Revised Statutes (A.R.S.) §36-2856 to establish the Smart and Safe Arizona Fund (Fund). The Fund consists of all monies deposited pursuant to the Act including license, application, and renewal fees; civil penalties; excise tax revenues; private donations; and interest earned on these monies. Monies in the Fund are first used to pay for costs various State agencies incur to implement, carry out, and enforce the Act. The State Treasurer will then distribute any remaining Fund monies the State agencies did not use to specified local governments and other State funds as described in the Act.

Distributed Fund monies should be reported like State appropriations—According to the Act, community college districts and provisional community college districts are to receive semiannual Fund distributions for purposes of investing in and providing workforce development programs; job training; career and technical education; and science, technology, engineering, and math programs. These distributions meet the Governmental Accounting Standards Board’s definition of continuing appropriations, which refers to an appropriation that, once established, is automatically renewed without further legislative action. Based on this definition, it would be appropriate for districts to classify and report these monies as State appropriations on the statement of revenues, expenses, and changes in net position.

However, because these distributions are not appropriated through the State Legislature’s annual budgeting process, districts may not want to classify these monies as State appropriations. Districts may use a different description for financial statement presentation as long as that description is accurate and not misleading. For example, the revenue line item might be called Smart and Safe Arizona Fund appropriations.

Distributed Fund monies are not shared State taxes—It is important to note that reporting distributions from the Fund as a share of State sales taxes would not be accurate. Unlike the education sales tax that was mandated to be shared as a percentage of the excise tax the State collected, distributions from the Fund are not based on a shared percentage of any specific revenue but represent a continuous appropriation of the Fund’s remaining balance as described above.

If you have questions, please contact your financial audit manager within the Office or your contract auditor. You may also contact Carla Wall, financial audit technical manager, at cwall@azauditor.gov or (602) 553-0333.