

**2023 Cannabis Market  
Taxation and  
Regulatory  
Compliance Analysis  
Grant Program**

Briefing and Award Recommendations

March 1, 2023

## Introduction

Public Act 166 of 2022 requires the Cannabis Regulatory Agency (CRA) to “award a grant to conduct a pilot program in this state with the purpose of conducting an analysis of tax reporting, collection, and regulatory compliance within the Michigan cannabis market.”

On December 27, 2022, the CRA issued a Request for Proposals (RFP). The purpose of this RFP was to obtain proposals from interested parties with the experience and ability to provide an assessment of the current state of tax reporting, collection, and compliance by individuals and entities involved in the cannabis market in this state; identify relevant statistical information regarding unreported and underreported tax revenue from cannabis-related transactions in this state; identify areas within the cannabis market in this state that demonstrate suspected inversion and diversion activities and other regulatory noncompliance; recommend a plan of action for capturing past and future unreported and underreported tax revenue in the cannabis market and for targeting areas of suspected inversion and diversion activities and regulatory noncompliance for compliance and enforcement; identify tax revenue from cannabis-related transactions that were previously unreported or underreported; and provide an estimate of the costs associated with the proposed action plans.

Two proposals were submitted in response to the RFP prior to the established deadline and were evaluated. One proposal was submitted after the deadline and was not considered.

The Joint Evaluation Committee evaluated both proposals according to a specified criteria and awarded the grant to the proposal receiving the highest score. When determining which bid would receive the grant, the Joint Evaluation Committee considered several factors, including: prior experience collecting and analyzing data of this nature; demonstrated ability of the organization to provide data that enhances the understanding of the cannabis market by the Cannabis Regulatory Agency and the public; work plan; management summary and financial stability of the organization; budget and budget narrative; and demonstration of prior experience working with Michigan government agencies.

Organization	Amount Requested	Recommended Award Amount
Broadleaf Software, LLC	\$484,439.20	\$0
NCS Analytics, Inc.	\$490,000.00	\$490,000.00
Black Tree CPA Group, LLC	\$498,406.00	\$0

## Evaluation Method

Responses to this solicitation were reviewed by the Joint Evaluation Committee, which consisted of the following individuals:

Voting	Advisory
<b>Brian Hanna, Executive Director</b> Cannabis Regulatory Agency (CRA)	<b>David Harns, Public Relations Manager</b> Cannabis Regulatory Agency (CRA)
<b>Derek Sova, Departmental Specialist</b> Cannabis Regulatory Agency (CRA)	
<b>Roslyn Branner, Administrator</b> State of Michigan Treasury	

## Evaluation Results

### Proposal #1

#### **Broadleaf Software, LLC**

Requested Amount: \$484,439.20

JEC Recommended Award: \$0

After evaluating their responses to the evaluation criteria, the evaluation team determined that Broadleaf Software, LLC (Broadleaf) received a fundable score for their RFP response, but their score was lower than another bidder. Therefore, they did not receive any grant funds.

#### **1. Prior experience collecting and analyzing data of this nature.**

The evaluation team determined that while Broadleaf is a newer company with a lack of experience, the staff has a substantial amount of experience between them, which is impressive.

#### **2. Demonstrated ability of the organization to provide data that enhances the understanding of the cannabis market by the Cannabis Regulatory Agency and the public.**

The evaluation team determined that while Broadleaf is a new company (formed in 2020) with low experience, the experience they do have is cannabis-focused.

#### **3. Work Plan**

The evaluation team determined that the bidder showed an understanding of the objective by presenting a detailed work plan wherein the methodology was spelled out very well.

#### **4. Management summary and financial stability of the organization**

The evaluation team determined that the bidder's presentation displayed a firm management style that appears to be ethically and morally sound. The disclosure of a possible conflict of interest was appreciated.

#### **5. Budget and Budget Narrative**

The evaluation team determined that the proposed budget had clarity, but noted there was not a lot of financial stability. In addition, there was a mathematical error on line 14 of the Budget Category and funding for the CEO is high. While there are some concerns, the responses were satisfactory and the fact they have experience with Metrc is positive.

**Total Score: 83/100**

## **Bidder #2**

### **NCS Analytics, Inc.**

Requested Amount: \$490,000.00

JEC Recommended Award: \$490,000.00

After evaluating their responses to the evaluation criteria, the evaluation team determined that NCS Analytics, Inc. (NCS) received a fundable score for their RFP response. Since NCS had the highest score, their proposal was fully funded.

#### **1. Prior experience collecting and analyzing data of this nature.**

The evaluation team determined NCS has good experience working in this environment and they have worked with Michigan before.

#### **2. Demonstrated ability of the organization to provide data that enhances the understanding of the cannabis market by the Cannabis Regulatory Agency and the public.**

The evaluation team determined NCS has similar work with other states; their work appears to meet expectations, their predictive model is notable, they appear to understand the data, and their report provided good results.

#### **3. Work Plan**

The evaluation team determined NCS showed a solid workplan and a detailed explanation of their timeline.

#### **4. Management summary and financial stability of the organization**

The evaluation team determined NCS showed good oversight of their organization but indicates a good bit of subcontracting (cannabis consulting). They did indicate they were planning to start a bi-annual audit.

#### **5. Budget and Budget Narrative**

The evaluation team determined NCS' budget and budget narrative meets the criteria requested for this section of the proposal.

**Total Score: 91/100**

## **Bidder #3**

### **Black Tree CPA Group, LLC**

Requested Amount: \$498,406.00

JEC Recommended Award: \$0.00

Black Tree CPA Group’s proposal was received after the deadline; therefore it was not considered.

**JEC Scoring Summary**

<b>Evaluation Criteria</b>	<b>Points Available</b>	<b>Broadleaf Software, LLC</b>	<b>NCS Analytics, Inc.</b>	<b>Black Tree CPA Group</b>
<b>Prior experience collecting and analyzing data of this nature</b>	<b>15</b>	12	14	0
<b>Demonstrated ability of the organization to provide data that enhances the understanding of the cannabis market by the Cannabis Regulatory Agency and the public</b>	<b>15</b>	14	15	0
<b>Work plan</b>	<b>30</b>	29	29	0
<b>Management summary and financial stability of the organization</b>	<b>20</b>	16	17	0
<b>Budget and budget narrative</b>	<b>15</b>	10	12	0
<b>Demonstration of prior experience working with Michigan government agencies</b>	<b>5</b>	2	4	0