

Financial Impact from Marijuana Legalization

Now May Not be the Time to Legalize Marijuana in Virginia

COVID-19 is taking all our time, energy, resources, and attention. Your budgetary decisions to deal with the pandemic will have both positive and negative effects on Virginians for years to come. Thus, decisions need to be weighed carefully with current facts and data. Although opinions and perceptions lead us to believe state revenues will increase from the production and sale of marijuana related products, national data and credible facts show just the opposite. Here is what reputable organizations report from other legal states:

The Rocky Mountain High Intensity Drug Trafficking Area and The National Marijuana Initiative (<https://rmhidta.org/files/D2DF/FINAL-Volume6.pdf>; www.thenmi.org) found disturbing data in Colorado after it legalized marijuana in 2012.

- Increased creation and use of Drug Tasks Forces to combat the illicit market was an added expense to the states' budget
- In 2019 there were a total of 257 investigations of illicit markets, 192 felony arrests that seized 6.08 tons of illegal marijuana, and connections to Mexican and Chinese cartels
- State property crimes increased from 155,809 in 2012 up to 179,650 in 2018
- Violent crime increased from 19,243 in 2012 up to 25, 212 in 2018
- Marijuana related car crashes increased by at least 45%
- Denver's homeless population has recently exploded but convention bookings have decreased since attendees have complained about the strong odor of marijuana and feeling unsafe outside the hotel, thus they reported being unlikely to return
- 64% of localities in Colorado have banned marijuana related business

The Tax Foundation (<https://taxfoundation.org/states-budget-deficits-state-excise-tax-hikes/>) found that for states that have legalized marijuana, it has generally taken some time to deliver sizable returns. Due to the significant costs associated with building the system required to operate a recreational marijuana industry, states need to be cautious in revenue projections and appropriations rather than to present legalization as a long-term budget fix. It is important to get the regulatory and tax structure right as brick-and-mortar dispensaries will be competing with illicit markets, and setting tax rates too high could keep consumers in untaxed markets. In addition, any federal action on marijuana could skew the projections in any direction.

Smart Approaches to Marijuana (SAM; www.learnaboutsam.org; a national educational, training, and advocacy group) found additional disturbing data from states that have legalized marijuana:

- FY19 tax revenue from the marijuana industry:

State	Percent of Budget*
Colorado	0.90%
California	0.47%
Washington	0.33%
Alaska	0.20%
Oregon	0.13%
Nevada	0.04%

- For every \$1 in revenue, marijuana costs society \$10 due to lost productivity, injury, crashes, insurance, academic underachievement, etc. Specifically, marijuana related ER visits in Colorado cost the state \$210 million in uncollected payments plus insurance premiums increased 10% the first year of legalization and 16% the second year after legalization
- The budget deficits in states with mature marijuana markets comprise a combined \$71B (CA, CO, NV, OR, WA). The tax revenues from marijuana barely combine for \$2.5B
- Colorado, the state with the oldest marijuana market, is the only state without a rainy day fund
- According to Pew Trusts, revenue projections are unreliable. As states seek to fill budget gaps, researchers advise against using marijuana tax revenue to fill long-term holes because revenues quickly tapers off
- Rhode Island reported a conservative estimate of the costs of marijuana to outweigh revenues by 25% with leading causes being work place injuries, absenteeism and impaired driving
- Nationally, marijuana is favored in the work place due to its high potency, longer effects, ease in concealment and lack of odor when vaped however, the negative consequences include: industrial accidents- up 155%, disciplinary actions- up 155%, absenteeism- up 178% and marijuana related injuries- up 185%

In summary, marijuana legalization in Virginia won't offset the cost of this pandemic. Please take the time to look at all facts and lessons learned from states that have already opened the door to marijuana. As Governor Hickenlooper found in 2018, Colorado "gets \$200M a year in tax revenue [from the marijuana industry], which you know, we're a \$30B budget, so it's a drop in the bucket. It's not going to pay for...any big social ill." The promises being made by the marijuana industry are not reliable and they even mimic promises made by the tobacco industry that has been proven to be so costly to our commonwealth.

Please direct questions and comments to Dr. Mary Crozier, Immediate Past Chair of CCoVA and member of CCoVA's Legislation Committee; mkcrozier@gmail.com

