

States Get the Munchies for New Revenue That Might Come with Decriminalizing Pot

by Jennifer Boyter

MEDICAL MARIJUANA

LOS ANGELES, CALIF.—

A pedestrian walks past a marijuana leaf neon sign advertising a medical marijuana provider along a street in the Sherman Oaks section of Los Angeles, Calif.

Fourteen states have legalized medical marijuana, beginning with California in 1996, allowing chronically ill people to buy marijuana with permission from a doctor. A California Assembly committee this year considered going a step further—legalizing marijuana for regulation and taxation.

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Rhode Island Sen. Joshua Miller sees a pot full of savings in decriminalizing marijuana.

Miller led a Senate commission that studied the issue for four months, concluding the state could save money and free up law enforcement to investigate more serious crimes if it wasn't a crime for adults to possess less than 1 ounce of marijuana.

"It doesn't make sense to have our cash-strapped state spend millions trying to put people in prison for possessing a little of something that is arguably less dangerous than alcohol or tobacco," Miller said. He is sponsoring a bill that would replace the misdemeanor penalty for possession of small amounts of marijuana with a civil penalty.

Under the bill, violators would pay a \$150 fine for a first offense to the municipality where it occurred. The bill would require municipalities to spend half the new revenue on drug awareness and treatment programs for youth.

"We believe that the money spent on prosecuting and jailing people for possessing a small amount of marijuana could be spent on any number of other services. Incarceration is nowhere near as effective as drug awareness education or treatment," said Miller.

Harvard economist Jeffrey Miron estimated decriminalizing marijuana would save Rhode Island up to \$11.1 million a year in reduced law enforcement expenditures alone. In 2009, more than 2,500 people in Rhode Island were arrested for a first offense of possession of marijuana.

Thirteen states have adopted some form of decriminalization of the drug, and six states, including Rhode Island, have considered similar legislation this session.

Legalizing—and Taxing—Pot

Some states are considering going even further—legalizing the drug, allowing for regulation and taxation.

In January, the California Assembly Public Safety Committee took the first formal steps toward legalizing marijuana by passing legislation that would have legalized the sale and use of marijuana for adults 21 and older. It would have created a system to regulate and tax the drug just like alcohol.

After the vote, Assemblyman Thomas Ammiano, the bill's sponsor, said in a statement the vote was significant "because it is time to acknowledge that the existing model of prohibition has failed and that California is

long overdue for a public policy for control and regulation of marijuana that reflects the reality of what is happening in our state.”

The bill didn’t pass, but it did bring attention to an initiative that qualified for the November ballot. The Tax Cannabis initiative would allow people 21 and older to possess, grow and transport marijuana for their personal use. It would also permit cities and counties to decide whether to regulate and tax the commercial production and sale of the drug, possibly creating a system of “wet” and “dry” counties for marijuana, similar to those that exist with alcohol laws.

The measure would also increase the criminal penalty for giving marijuana to a minor, prohibit the consumption of the drug in public or while minors are present, and maintain existing laws against driving under the influence.

A recent poll found a close race for the ballot question: 48 percent of Californians support the law, while 49 percent oppose it.

Campaigns are under way in both Oregon and Washington to place similar initiatives on the 2010 ballot.

Supporters argue that the current laws regarding marijuana simply are not working.

“... The call for a new direction in our drug policy grows louder every day,” Ammiano said in a statement.

But there are still many who oppose decriminalizing or legalizing marijuana and these efforts remain controversial.

Law enforcement groups strenuously oppose decriminalization. Col. Joseph Moran, president of the Rhode Island Police Chiefs Association, voted against the initiative for decriminalization. “Marijuana is a dangerous drug and we will be sending Rhode Islanders the wrong message by decriminalizing the possession of an ounce or less of marijuana,” he said.

Law enforcement groups in California have joined with anti-drug community groups, many businesses and Mothers Against Drunk Driving, among others, to form an anti-initiative coalition known as Public Safety First. The group argues that legalizing marijuana will lead to increased substance abuse, and that the associated long-term costs would vastly exceed the new revenue legalizing the drug might bring in.

Skip Miller, a California lawyer who chairs the board of the drug abuse education program D.A.R.E. America, blasted those who call for legalization as a way of boosting tax revenues.

“It is completely irresponsible to suggest that the legalization of a dangerous drug

could be a way to help us out of the budget mess we’re in,” he said in a statement. “Such comments send entirely the wrong message, especially to young people who face a difficult enough time resisting the pressure of peers and others to try drugs.”

An Industry Out of the Shadows

Supporters say legalization would bring the marijuana industry above ground and eliminate much of the violence and corruption that characterizes the marijuana market. In an editorial in the *Harvard Crimson*, Miron likens marijuana legalization to the repeal of alcohol prohibition that restored the legal alcohol industry.

“A small component of the marijuana market might remain illicit—moonshine marijuana rather than moonshine whiskey—but if regulation and taxation are moderate, most producers and consumers will choose the legal sector, as they did with alcohol,” he wrote.

Supporters also point to the significant amount of revenue that could be raised by legalizing and regulating the drug. Studies by state agencies found legalization would generate billions of dollars in revenue that could be used to fund schools and public safety.

The California Board of Equalization, which collects alcohol and tobacco taxes, estimates cannabis taxes could generate \$1.4 billion each year. That doesn’t include the other budgetary implications of legalizing marijuana, including the expansion of agriculture if farmers were allowed to openly cultivate the plant. Marijuana is believed to be one of the biggest cash crops in the country.

California already collects about \$18 million in sales taxes a year from \$200 million worth of medical marijuana purchases.

Estimates of the amount of money state and federal governments could gain by legalizing marijuana vary. Jon Gettman, a senior fellow at George Mason University, valued the American marijuana trade at \$113 billion annually. Between drug enforcement costs and potential taxes, Gettman estimates the federal government and states are losing nearly \$42 billion a year by keeping marijuana illegal.

Miron, the Harvard economist, estimated legalizing marijuana would save \$7.7 billion annually in government spending on enforcement alone, with \$5.3 billion of this total going to state and local governments. Miron also estimates legalization would yield tax revenue of \$2.4 billion if marijuana was taxed like all other goods, and \$6.2 billion annually if it was taxed at rates comparable to those on alcohol and tobacco.



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Potential Showdown Looms

If California voters approve the ballot measure in November, it would set up a showdown with the federal government, because marijuana would continue to be illegal under federal law. In his recently released federal drug control strategy, President Obama stressed his administration “firmly opposes the legalization of marijuana or any other illicit drug.”

But the high costs of prosecuting and incarcerating marijuana offenders, coupled with state fiscal crises and the promise of additional revenue, could lead other lawmakers to rethink their states’ marijuana laws.

“It is time to take our heads out of the sand and start to regulate this \$14 billion industry,” Ammiano said in a statement. “By doing so, we can enact smart public policy that will bring much needed revenue into the state and improve public safety by utilizing our limited law enforcement resources more wisely. The move toward regulation is simply common sense.”