

Legalizing and Taxing Cannabis would Raise Needed Revenue and Create Jobs

Position Statement Supporting House Bill 32

Given before the Judiciary Committee

The state of Maryland recognized the failures of prohibition of marijuana when the General Assembly passed a decriminalization bill in 2014. Many policy experts now agree that policing marijuana is costly, does little to reduce drug use, and has disproportionately targeted Black communities.ⁱ With the full legalization of marijuana now under discussion, Maryland has the opportunity not only to reduce policing and incarceration costs but to raise revenue for important state investments. Regulating and taxing marijuana in a manner similar to alcohol is the logical next step for Maryland. Successes in places like Colorado and Washington indicate it can bring in hundreds of millions of dollars without harm to the economy or society as a whole. **For these reasons, the Maryland Center on Economic Policy supports House Bill 32.**

In 2010 Maryland spent \$106 million enforcing marijuana possession laws.ⁱⁱ That year, there were 23,729 arrests for marijuana possession.ⁱⁱⁱ Marijuana possession arrest levels rose during the early 2000s and remained high from 2010 to 2014 with an average of 23,851. In 2015, the first year following decriminalization, arrests for marijuana possession dropped to 14,329. The 37 percent reduction in marijuana-related arrests from 2014 to 2015 likely meant significant savings for Maryland taxpayers. If annual expenditures enforcing marijuana possession laws decreased by an equivalent 37 percent, the state would have saved \$39.2 million. This does not factor in the cost of lost productivity or the other costs drug arrests create for affected individuals and their families. Still, decriminalizing small amounts of marijuana has not had the intended effects on a large portion of the underground economy if we are continuing to arrest over 14,000 people a year for marijuana possession.

While arrests for possession of marijuana decreased 37 percent from 2014 to 2015, arrests for sale or manufacturing of marijuana increased 5 percent.^{iv} This indicates that since decriminalization the state has shifted some resources from policing marijuana possession to policing marijuana distribution. These costs would be avoided if the industry was legal and taxed.

In Colorado, a state with a similar population to Maryland, revenue from a marijuana tax reached \$200 million in

2016.^v The Colorado tax is structured similarly to the proposal included House Bill 32. In addition, the new and fast-growing industry created 18,005 full time equivalent jobs in Colorado in 2015, 12,591 of them directly.^{vi} The other 5,414 included jobs like security guards, real-estate agents, construction workers, consultants, and other business services. Additional economic benefits were generated by these new employees' increased demand for everyday goods and services. Washington State has seen similar results, bringing in more than \$256 million in excise taxes on marijuana in 2016.^{vii} There are currently eight states in addition to the District of Columbia that have legalized marijuana possession.

HB 32 also takes the important step of directing state resources raised from the regulated sale and taxation of cannabis are reinvested in the communities most harmed by prohibition of cannabis. This is an essential step to begin reversing the harms of past laws and enforcement, particularly in Black and Brown communities.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the House Ways and Means Committee give a favorable report to House Bill 32.

Equity Impact Analysis: House Bill 134

Bill summary

House Bill 32 would establish a 9% excise tax on specified sales of cannabis and utilize cannabis excise tax revenues to provide supplemental funding to various state services and programs.

Background

In 2014, Maryland decriminalized the possession of small amounts of cannabis and eight states, along with the District of Columbia have now legalized marijuana possession. It is the belief of many policy experts that policing marijuana is costly, is ineffective in reducing drug use, and disproportionately targets African Americans. Largely as a result of this, allowing regulated sale and implementing a tax on marijuana is something that has been done by a number of other states over recent years with great success, bringing in hundreds of millions of dollars without harm to the economy or society as a whole.

Equity Implications

Historically, Black Americans are disproportionately incarcerated due to policy decisions that have forced and Marylanders of color to face circumstances that can lead to incarceration. Cannabis-related incarcerations specifically has been a prime example of this.

House Bill 32 would bring in hundreds of millions of dollars that would be put towards a variety of programs that could be put towards services and programs that would strengthen the economy and dismantle the barriers that all too often hold back Marylanders of color. Provisions in HB 32 would also help ensure these resources are well targeted to the communities that have experienced the most harm from the prohibition of cannabis.

Impact

House Bill 32 would likely **improve racial and economic equity** in Maryland.

ⁱ “The Maryland War on Marijuana in Black and White.” Maryland American Civil Liberties Union, October 2013. http://www.aclu-md.org/uploaded_files/0000/0470/aclu_marijuana_in_md_report_whitecover.pdf.

ⁱⁱ Ibid.

ⁱⁱⁱ Maryland State Police Uniform Crime Report 2010, 2015. <http://mdsp.maryland.gov/Pages/Downloads.aspx>.

^{iv} Maryland State Police Uniform Crime Report 2015.

^v Marijuana tax revenue hit \$200 million in Colorado as sales passed \$1 billion, Trey Williams, Market Watch, February 10, 2017. <http://www.marketwatch.com/story/marijuana-tax-revenue-hit-200-million-in-colorado-as-sales-pass-1-billion-2017-02-10>.

^{vi} “The Economic Impact of Marijuana Legalization in Colorado.” Marijuana Policy Group, October 2016.

<http://www.mjpolicygroup.com/pubs/MPG%20Impact%20of%20Marijuana%20on%20Colorado-Final.pdf>

^{vii} Maryland lawmakers renew push to legalize and tax marijuana, Pamela Wood, The Baltimore Sun, January 30, 2017. <http://www.baltimoresun.com/news/maryland/politics/bs-md-legal-marijuana-20170130-story.html>.