

REJECT THE DUBIOUS CLAIMS MADE BY THE CENTENNIAL INSTITUTE ON THE COSTS OF MARIJUANA LEGALIZATION



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In a new report, the Illinois Economic Policy Institute and the Project for Middle Class Renewal at the University of Illinois at Urbana-Champaign find that legalizing marijuana is an economic opportunity for Illinois, creating a new sector of the economy that is already open for business in 10 other states. Assuming similar usage and taxation rates as Colorado, the taxation and regulation of marijuana in Illinois could create nearly 24,000 new jobs, boost the state's economy by \$1 billion per year, and generate more than \$500 million in new state and local tax revenue (Manzo et al., 2018).

Despite this economic opportunity, some opponents of legalization are citing a recent study by Colorado Christian University's Centennial Institute that suffers from poor policy analysis (Miller, 2018). The report claims that Colorado spends \$4.50 to mitigate the effects of marijuana legalization per dollar gained in tax revenue. However, the authors do not include cost estimates for years prior to legalization. In both the social sciences and the medical field, researchers often attempt to isolate the impact of a change in one group (the "treatment group") from a similar group (the "control group"). In this case, the authors could have compared the current costs per year since legalization to annual costs prior to legalization when marijuana was consumed illicitly. Because the authors fail to attempt to isolate the impact, no peer-reviewed academic journal would consider the findings credible (Wing et al., 2018).

A true cost-benefit analysis would include all the benefits of legalization— not just state tax revenues. These include added local tax revenues, income taxes, reduced incarceration costs, decreased policing costs, and lower legal fees. Similarly, the report fails to estimate the impact of public investments made using new tax revenue from legalized marijuana. For example, the first \$40 million in state revenue from cannabis sales taxes is dedicated to school construction projects in Colorado, which boosts the local economy, creates jobs, and can enhance educational outcomes for students through improved environments for learning (e.g., see Whaley, 2018). These "multiplier effects," or ripple effects, are absent from the analysis.

Most glaringly, the authors fail to include the impact of legalization on economic activity, or gross state product (GSP), on the benefits side of the equation. This is a remarkable omission in a cost-benefit analysis. If one were to take a this approach to the U.S. manufacturing industry, the inevitable recommendation would be to halt the production of all goods in America. That's because there are significant costs of making goods, such as pollution, the price of materials, the costs of hiring and firing workers, and the increase in congestion and traffic accidents from welders and machinists driving to work instead of staying unemployed at home (among other costs). These costs generally exceed the total corporate and property taxes collected from manufacturing companies. Why then do we produce anything at all in America? The answer is because the manufacturing industry grows the U.S. economy, creates jobs, and supports other industries like retail and construction. In the case of marijuana legalization, residents and visitors spent more than \$760 million on legal recreational marijuana in Colorado in the 12 months between July 2017 and June 2018 (Manzo et al., 2018). Ignoring this economic activity altogether is another blemish in the Centennial Institute's analysis.

Moreover, the authors erroneously consider certain items "costs" when they should instead be listed as "benefits." Marijuana arrests represent their biggest mistake. The authors report that taxpayer expenditures on marijuana-related arrests fell from \$14.8 million in 2012 before legalization to \$7.2 million in 2017 post-legalization (Centennial Institute, 2018). The authors inexplicably use the 2017 figure of \$7.2 million and call it a "cost" of legalized marijuana despite the fact that costs have mathematically *fallen* by \$7.6 million per year since legalization. This should obviously be listed as a benefit, not a cost.

The Colorado Department of Public Health & Environment has reported that “marijuana use has not changed since legalization either in terms of the number of people using or the frequency of use among users” (CDPHE, 2016). Because marijuana consumption does not significantly change following legalization, researchers fail to find any correlation between legalization and many of the purported social costs. For example, there is no evidence to support the claim that cannabis use increases occupational injuries or contributes to more homelessness (Zhang, 2018). Moreover, a peer-reviewed study in the *American Journal of Public Health* compared motor vehicle crash fatality rates in Colorado and Washington to similar states without recreational marijuana and found that they were not statistically different (Aydelotte et al., 2017). Research does, however, find that legalized cannabis mitigates opioid use and abuse (Wen & Hockenberry, 2018; Singer, 2018). Despite acknowledging in a footnote a study by the Colorado Health Institute which found that that “fewer people die as a result of opioid use in states with marijuana,” the authors of the Centennial Institute analysis did not include reduced opioid use and fewer opiate-related fatalities as a benefit in their calculation (Centennial Institute, 2018).

Ultimately, Illinois voters reject the dubious claims made by the Centennial Institute and widely support legalizing, regulating, and taxing recreational marijuana. A 2017 Southern Illinois University poll found that 66% of registered voters in Illinois support marijuana legalization (Paul Simon Public Policy Institute, 2017). This includes majority support among Democrat (76%), Independent (68%), and Republican voters (52%). Additionally, in the March 2018 primaries, 73% of voters in the City of Chicago supported legalizing marijuana; support was at least 59% in all 50 Wards (Chicago Board of Election Commissioners, 2018).

Elected officials in Illinois should follow voters in dismissing the Centennial Institute’s claims. Legalizing and taxing recreational marijuana would spur economic activity, create jobs, improve the state’s budget situation, help address the opioid epidemic, and reduce incarceration and law enforcement costs for taxpayers.

Sources

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