Legalizing Cannabis Can Save the State Money and Bring in Revenue

Saving Money in Medicaid Expenditures:
Forbes Magazine published a financial analysis summary of a study that found a reduction of fee-for-service Medicaid prescription use in states with legalized cannabis. They estimated that if all states had legalized medical cannabis in 2014, the national savings for fee-for-service Medicaid would have been approximately $1.01 billion. If Medicaid managed care plans were included, there would have been a yearly average of $60 million savings per state.¹

States that implemented medical cannabis laws saw a 5.88% lower rate of opioid prescribing. States that implemented adult-use cannabis laws had even lower rates of opioid prescribing, as much as 6.38% reduction in prescriptions.²

Saving Money on Enforcement:
Between 2001-2010, North Carolina and its counties spent $55 million on courts, prisons and enforcing cannabis laws, or more than $6 million annually, based on the FBI’s Uniform Crime Reporting Program.³

Saving Money on Workers’ Compensation:
Reuters Health reported a data analysis of workers’ compensation claims, which found a 6.7% decrease in claims when medical cannabis was legally available. In addition, the dollar amount of claims decreased by 0.8%.⁴ The Journal of Drug Policy examined the effects of legalizing medical cannabis on workplace safety. The data indicated that workplace safety improved for workers aged 25-44, with statistically insignificant changes for other ages.⁵

Potential for Revenue:
The Cato Institute issued a study that examined potential revenue increases for states if they legalized cannabis. They estimated that North Carolina’s increased revenue potential could be nearly $126 million.⁶

The excise tax collection revenue in Washington for cannabis accounted for more revenue ($361 million) than liquor ($314 million) and cigarettes ($357 million) in fiscal year 2018 and in Alaska, revenue spiked from $2 million to $11 million in a single year.⁷

The PEW Charitable Trusts published a 2019 study of recreation cannabis revenues that provides a framework for states to determine specific policies and potential revenues. The researchers advise states to treat cannabis as volatile revenue, collect it before designating it for nonrecurring budget items. Cannabis taxes vary by state – general retail sales tax, cannabis-specific excise tax, or both.⁸

¹Forbes “Medicaid Could Have Saved $1 Billion If Medical Marijuana Was Legalized”, Apr 21, 2017
https://www.forbes.com/sites/debraborchardt/2017/04/21/medicaid-could-have-saved-1-billion-if-medical-marijuana-was-legalized/#767af6867c57
³The War on Marijuana in Black and White” ACLU Foundation June, 2013
⁴WTAQ, “Access to medical marijuana tied to reduced workers’ comp claims”, February 07, 2020
⁵J Drug Policy “Medical marijuana laws and workplace fatalities in the United States”\2018 Oct;60:33-39
⁶Cato Institute “The Budgetary Effects of Ending Drug Prohibition” April, 2018
⁷PEW Charitable Trusts, “Forecasts Hazy for State Marijuana Revenue” August 19, 2019
⁸PEW Charitable Trusts, “Forecasts Hazy for State Marijuana Revenue” August 19, 2019
In 2015, revenue from sales taxes and fees from cannabis in Colorado was more than $135 million. Cannabis sales in the state totaled over $996 million.

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\(^9\)Investopedia, “The Economic Benefits of Legalizing Weed” December, 2019