

Legal pot means big savings on law enforcement



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Los Angeles dispensaries, like this one, offer medical marijuana.

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By Aaron Smith, staff writer October 21, 2010: 1:58 PM ET

NEW YORK (CNNMoney.com) -- Cash-strapped California would get some relief by legalizing pot, but the biggest boost would be thanks to massive law enforcement cuts, not new tax revenue, experts say.

The state's marijuana legalization initiative known as Proposition 19 goes to the polls on Nov. 2. And there's been a lot of talk about taxing it to rescue the state from its budget woes. But even legalization's top advocates say the drug won't be a financial cure-all.

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"No one's promising that this is going to solve everything economically," said Quintin Mecke, spokesman for Assembly Member Tom Ammiano, D-San Francisco, who was the lead sponsor on two earlier efforts to legalize marijuana.

Most of the financial benefit would actually come from budget cuts - which means job cuts -- according to a report from the Cato Institute, a libertarian think tank in Washington, D.C. The institute estimates that legalization could add \$1.312 billion annually to California's coffers. But the forecast's breakdown calls for a savings of \$960 million in law enforcement costs and an additional

\$352 million in tax revenue.

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Jeffrey Miron, a senior lecturer at Harvard University and senior fellow at the Cato Institute who co-authored the study, said the majority of the cost savings would be a result of cuts to law enforcement personnel whose services would no longer be required. And axing police officers, prison guards, prosecutors and judges would hurt the job market, at least initially, he said.

That leaves an estimated \$352 million in annual tax revenue, a tally that Miron described as "not irrelevant, but not very consequential." He said it's a welcome bonus for Californians who prefer legalization regardless, but it's not enough to sway those who oppose it.

"I think that California is being somewhat optimistic in thinking that this is going to make a significant difference to its budget situation," said Miron, who [supports legalization](#). "I think it won't do much for the economy."

Coming up with a tax revenue forecast for Prop 19 is difficult.

Ammiano's previous [legalization bills](#), which died in assembly, included a statewide tax of \$50 per ounce that would be imposed on producers. Based on that, the State Board of Equalization estimated that California could raise \$990 million - in addition to \$392 million in sales taxes.

But that estimate isn't relevant to Prop19, according to Anita Gore, spokeswoman for the board.

Unlike Ammiano's bills, Prop19 wouldn't make marijuana legal on a statewide basis. Instead, it would have a patchwork effect, giving local governments the power to allow or prohibit pot sales, and to impose taxes or fees on marijuana sales in addition to a sales tax.

"Any sale would be taxable, so there would be sales taxes collected," said Gore. "But beyond that, we don't know how many localities would approve the sale and how many other fees would be added."

Adding to the complexity, local governments in California that legalize marijuana sales would impose their own tax rate, which varies from one area to the next. In addition, some local governments might impose an excise tax on retailers and producers, while others might not.

"There are too many unknowns to be able to come up with a revenue estimate," said Gore.

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Dale Gieringer, director of the California chapter of the National Organization for the Reform of Marijuana Laws, otherwise known as NORML, has a more optimistic take on potential tax revenue, but even he says it will be a very long time before the state sees any of those funds.

Gieringer said that taxes from medical marijuana total about \$100 million annually, and that based on that, Prop 19 could bring in about \$500 million in annual sales taxes for the state.

But that's going to take years to kick in, even if Prop 19 passes in November, he said. Local governments considering legalization will take some time to consider the benefits of additional tax revenue versus the threat of federal lawsuits, since the drug would still be illegal under federal law.

Gieringer added that medical marijuana was legalized in California in 1996, but said it took another eight or nine years to spread across the state.

"I'm assuming that we're looking at a similar long term phase-in of Prop 19," he said. "It's going to be many years, if 19 passes, before it's going to take effect on the whole state." ■

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