



## RAND RESEARCH AREAS

CHILDREN AND FAMILIES  
EDUCATION AND THE ARTS  
ENERGY AND ENVIRONMENT  
HEALTH AND HEALTH CARE  
INFRASTRUCTURE AND  
TRANSPORTATION  
INTERNATIONAL AFFAIRS  
LAW AND BUSINESS  
NATIONAL SECURITY  
POPULATION AND AGING  
PUBLIC SAFETY  
SCIENCE AND TECHNOLOGY  
TERRORISM AND  
HOMELAND SECURITY

This fact sheet is part of the  
RAND Corporation research  
brief series. RAND fact sheets  
summarize published, peer-  
reviewed documents.

Headquarters Campus  
1776 Main Street  
P.O. Box 2138  
Santa Monica, California  
90407-2138  
TEL 310.393.0411  
FAX 310.393.4818

© RAND 2010

## How Might Marijuana Legalization in California Affect Public Budgets and Marijuana Consumption?

California Assembly Bill 2254—often referred to as the Ammiano bill—and the Regulate, Control, and Tax Cannabis (RCTC) Proposition would legalize marijuana use for those 21 and over in California. The Ammiano bill would allow the state to regulate production and distribution and initially apply an excise tax of \$50 per ounce. The RCTC proposition would allow local governments to choose whether and how to regulate and tax production and distribution.

Two issues central to the debate are how legalization would affect marijuana consumption and public budgets. Governor Arnold Schwarzenegger suggested that “it was time for a debate” about legalization to generate revenue, and one government analysis estimated that taxing marijuana at \$50 per ounce would generate \$1.4 billion annually in revenues.

In work funded by the RAND Corporation, researchers addressed these two issues by constructing a model based on a series of estimates of current consumption, current and future prices, how responsive use is to price changes, taxes levied and possibly evaded, and the aggregation of many nonprice effects (such as changes in attitudes). The goal was to help legislators and voters understand the impact of key assumptions required for estimates, not to provide a comprehensive cost-benefit analysis of the impact of legalizing marijuana in California.

Key study highlights include the following:

- The pretax retail price of marijuana will substantially decline, likely by more than 80 percent. The price consumers pay will depend heavily on taxes, the regulatory regime structure, and how taxes and regulations are enforced.
- Consumption will increase, but it is unclear how much, because neither the shape of the demand curve nor the level of tax evasion (which reduces revenues and the prices consumers face) is known.
- Tax revenues could be dramatically lower or higher than the \$1.4 billion estimate; for example, uncertainty about the federal response to California legalization can swing estimates in either direction.
- Previous studies find that the annual cost of enforcing current marijuana laws ranges from around \$200 million to nearly \$1.9 billion; estimates from this study show that the costs are probably less than \$300 million.
- There is considerable uncertainty about the impact that legalizing marijuana in California will have on public budgets and consumption, with even minor changes in assumptions leading to major differences in outcomes.

---

Funding for this study was provided by RAND's Investment in People and Ideas program, which combines philanthropic contributions from individuals, foundations, and private-sector firms with earnings from RAND's endowment and operations to support research on issues that reach beyond the scope of traditional client sponsorship. This fact sheet is based on *Altered State? Assessing How Marijuana Legalization in California Could Influence Marijuana Consumption and Public Budgets*, by Beau Kilmer, Jonathan P. Caulkins, Rosalie Liccardo Pacula, Robert J. MacCoun, and Peter H. Reuter, OP-315-RC, 2010, available at [http://www.rand.org/pubs/occasional\\_papers/OP315/](http://www.rand.org/pubs/occasional_papers/OP315/). This fact sheet was written by Paul Steinberg. The RAND Corporation is a nonprofit institution that helps improve policy and decisionmaking through research and analysis. RAND's publications do not necessarily reflect the opinions of its research clients and sponsors. RAND® is a registered trademark.

**RAND Offices**

Santa Monica, CA • Washington, DC • Pittsburgh, PA • New Orleans, LA/Jackson, MS • Boston, MA • Doha, QA • Cambridge, UK • Brussels, BE



# Drug Policy Research Center

A JOINT ENDEAVOR OF RAND HEALTH AND  
RAND INFRASTRUCTURE, SAFETY, AND ENVIRONMENT

THE ARTS  
CHILD POLICY  
CIVIL JUSTICE  
EDUCATION  
ENERGY AND ENVIRONMENT  
HEALTH AND HEALTH CARE  
INTERNATIONAL AFFAIRS  
NATIONAL SECURITY  
POPULATION AND AGING  
PUBLIC SAFETY  
SCIENCE AND TECHNOLOGY  
SUBSTANCE ABUSE  
TERRORISM AND  
HOMELAND SECURITY  
TRANSPORTATION AND  
INFRASTRUCTURE  
WORKFORCE AND WORKPLACE

This PDF document was made available from [www.rand.org](http://www.rand.org) as a public service of the RAND Corporation.

This product is part of the RAND Corporation research brief series. RAND research briefs present policy-oriented summaries of individual published, peer-reviewed documents or of a body of published work.

The RAND Corporation is a nonprofit institution that helps improve policy and decisionmaking through research and analysis.

---

## Support RAND

[Browse Books & Publications](#)

[Make a charitable contribution](#)

## For More Information

Visit RAND at [www.rand.org](http://www.rand.org)

Explore the [RAND Drug Policy Research Center](#)

View [document details](#)

## Limited Electronic Distribution Rights

This document and trademark(s) contained herein are protected by law as indicated in a notice appearing later in this work. This electronic representation of RAND intellectual property is provided for non-commercial use only. Unauthorized posting of RAND PDFs to a non-RAND Web site is prohibited. RAND PDFs are protected under copyright law. Permission is required from RAND to reproduce, or reuse in another form, any of our research documents for commercial use. For information on reprint and linking permissions, please see [RAND Permissions](#).