

Pot could be new sin-tax jackpot

BY PAULA DWYER
BLOOMBERG

Is marijuana the new sin-tax gusher for the states? It sure looks that way.

In November, voters in five states will decide on whether to allow recreational use of the drug, while citizens in four other states have the option of legalizing medical marijuana.

Unlike the fierce battles of the past over decriminalization, resistance by governors, law-enforcement groups and state medical associations is down — though not entirely gone. The ability to collect mountains of new taxes could be a reason, judging from the experience of Colorado, where voters approved medical marijuana in 2000 and legalized its recreational use in 2012.

For the fiscal year ending June 30, Colorado collected \$157 million in marijuana taxes, licenses and fees, up 53 percent from a year before and nearly four times what it has collected in alcohol excise taxes this year. Thanks to marijuana smokers, Colorado's public schools will receive \$42 million, and local governments will get \$10 million of the amount collected.

There's no denying that marijuana opens a tax spigot and lets cities and states reduce spending on drug enforcement. Maine, California, Arizona, Massachusetts and Nevada will decide in November whether they want to legalize marijuana outright, while Arkansas, Florida, Montana and North Dakota will determine whether to allow medical use only.

Colorado's 27.9 percent marijuana taxes are steep. Yet they don't appear to have weakened demand. The state charges a 15 percent excise tax, paid by re-



STEVE DIPAOLO | REUTERS

Shango Cannabis displays marijuana on the first day of legal recreational sales in Portland, Oregon, last year.

tail outlets, which embed the tax in the retail price, similar to liquor sales; a 10 percent special marijuana retail sales tax; and the regular 2.9 percent state sales tax. And that's not counting local levies, such as Denver's 7.15 percent.

So if you buy weed in Denver, you'll pay combined taxes of 35 percent. Despite that, Colorado's marijuana retail sales keep booming: Sales almost hit \$1 billion in calendar 2015, up from \$700 million in 2014.

California is the big kahuna in seeking to legalize recreational use: In 1996, it became the first state to allow medical marijuana, which is now a \$2.7 billion market. If voters say yes,

recreational pot would be legal up and down the West Coast — Alaska, Washington and Oregon already allow it. Twenty-five states now permit one form of marijuana use or another, and polls show that national support for some kind of legalization is strong.

California voters may have regretted saying no in 2010 to legalizing the drug for recreational use. This time, if the initiative passes — and polls indicate it will overwhelmingly — California would impose a 15 percent tax on retail sales.

That's lower than in Colorado, possibly because studies show that stiff tax rates encourage a black market, which states are trying hard

to stamp out. Recognizing this, Colorado's 10 percent special marijuana tax will drop to 8 percent in 2017.

Marijuana is already on track to become a \$6.6 billion market in California by 2020, according to a report by ArcView and New Frontier, marijuana market-research and data companies. The state accounts for nearly half of all pot sales, both legal (medical) and illegal, in the country. It's also the world's largest grower of cannabis, creating a new source of revenue when taxes of \$9.25 per ounce of flowers are imposed on growers — and presumably passed on to consumers.

If every state legalized pot, charged taxes similar to Colo-

rado's and captured most of the black market, they'd collect a total of \$18 billion a year, according to projections from the Tax Foundation.

How does that compare to tobacco? The Tax Policy Center calculates that state and local tobacco taxes brought in \$18 billion in 2013, but with fewer people smoking, cigarette tax revenue is declining. So it isn't far-fetched to imagine that pot could one day soon overtake tobacco as the better cash cow.

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Root

Continued from Page D1

in the last 30 days, according to a report issued by the state Department of Health, which is virtually unchanged since the first buds of legal marijuana were sold in January 2014.

Meanwhile, preliminary data show crime hasn't increased significantly since legalization, according to an analysis from the Colorado Department of Public Safety. Legalization hasn't crashed the black market for marijuana, with traffickers now shipping marijuana from Colorado to other states, according to the Rocky Mountain High Intensity Drug Trafficking Area.

What's certain is that marijuana is a booming business in Colorado. Marijuana sales nearly topped \$1 billion last year, generating \$135 million in state taxes and fees. Colorado allows local governments to assess their own taxes on the sale of marijuana products.

Manitou Springs, a small town to the west of Colorado Springs, is the only town within El Paso County to permit marijuana businesses. Business has been good for the town's two marijuana shops, with local sales tax revenue climbing from \$2.3 million in 2014 to about \$3.8 million in 2015, growth that city officials attributed to "the strong performance



BDN FILE

Cannabis from Brigid Farms is shown at the Home Grown Maine Medical Marijuana Trade Show at the Spectacular Events Center in Bangor in 2014.

of the recreational marijuana sector."

"Other municipalities and businesses enjoy the benefits of someone else's decision to opt out," Brommer said.

That potential revenue has been incentive enough for municipalities to reverse course on banning marijuana sales. Just last month, the city of Thornton opened its doors to the marijuana industry after seeing that residents were going to nearby Northglenn to buy pot when it could keep that spending local, according to Tyler Henson, president of the Colorado Cannabis Chamber of Commerce.

The city estimates it will annually collect between \$1.5 million and \$2.5 million in revenue from a 5 percent local sales tax. The marijuana industry has seen doors

open in a handful of other communities across the state, including Federal Heights, Crestone and Parachute.

"As cities and towns become comfortable with it and they see the sky hasn't fallen in, more are opening up to," Henson said. "They're seeing that it works."

Even where marijuana shops are allowed, city officials have set caps on the number of businesses that can set up shop. Right now, Colorado has licensed 450 retail marijuana shops, not including cultivation sites, manufacturing facilities and testing locations. Nearly 200 of these shops are located within Denver.

With most cities prohibiting marijuana shops, this has led to a saturation in certain markets, particularly Denver. Amid concerns

about marijuana shops being opened largely in the city's poorer neighborhoods, the Denver City Council approved new caps on marijuana shops in the most saturated neighbors, along with a new licensing system to disperse the businesses more evenly across the city.

Elsewhere, city officials have taken a more proactive stance to limit the number of marijuana shops that pop up. The city of Aurora, a Denver neighbor, adopted a brief moratorium on retail shops in 2014 to give it time to create a regulatory scheme, Julie Patterson, a spokeswoman for the city, said.

The city capped the number of marijuana shops at 24, with them spread out evenly among the city's six wards. There is no limit to the number of cultivation, manufacturing and testing facilities. So far, 23 licenses have been awarded, though only 18 of those shops have opened, Patterson said.

Besides capping the number of shops, the city adopted an ordinance targeting odors from marijuana businesses and an innovative process for picking which marijuana shops can access its lucrative market. Licenses are awarded on a competitive point-based system that favors owners who are experienced in the marijuana industry and have a clean criminal record.

Even with its limited number of shops, marijuana has

proved lucrative for the city, which has taken in roughly \$8 million from a 5 percent local sales tax on it, according to Patterson. Much of that money has been earmarked to fund transportation infrastructure projects, bonds for a recreation center and initiatives to address homelessness.

But the calculus for permitting marijuana sales will be different for Maine municipalities. Maine is one of 12 states that bar municipalities from levying local option sales taxes, so marijuana isn't likely to generate a direct windfall for them. That revenue will be deposited directly into the state's general fund.

The calculus for Maine municipalities will likely pivot on issues of public health and public safety, but as the Colorado experiment has shown, legalization hasn't caused a spike in crime or drug use among the youth. With only two years of data, it's too soon to draw conclusions on the potential effects of legalization.

For a state that, much like Maine, prides itself on the strength on its home rule, the local option granted under Amendment 64 has been part of the successful rollout of marijuana legalization, Brommer, of the Colorado Municipal League, said.

"When it gets down to it, it's a very local discussion and local decision," he said.

Steed

Continued from Page D1

away when you consider that debris from the planes landed on the tops of buildings there. They're still finding plane debris in alleys. The immensity of the physical reality matched the psychic, intellectual and emotional immensity of the event, even though I have no personal relationship to the tragedy in that none of my people were lost in those terrifying hours.

I used to think it cheap to commemorate 9/11 at this time of year. 9/11! The horror! Let us never forget!

But I can't escape the fact that 9/11 is at the root of almost everything in my adulthood, and I know I am not alone. It is the psychic birthplace of my adulthood — every fear, and every concept of reality, cynical or otherwise — was confirmed to be real.

The anniversary of 9/11, of course, is also a time when countless stories of heroism, which help to dampen the horror, are told. We hold those stories dear but, like birth, they represent trauma. No matter how nice the doctors are, the experience leaves an inevitability that we will try to understand, live with, and sort out until we are forced to take our leave of this place.

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Cianchette

Continued from Page D1

subject it is weighing. You see memes claiming "C" is for "Classified." *Wrong.*

Most Americans do not understand the myriad rules and regulations surrounding classified information. And when it comes to military personnel specifically, all of this highlights what is called the "civil-military divide." Retired Gen. James Mattis — a legend among servicemembers and veterans — recently published a book on that exact subject. His findings? Americans love their military, even while they don't know much about it.

For now, that might be all right. Yet it will take all of us to keep it so. As Mattis says, "I think the gap can be tolerated so long as we maintain a fundamental friendliness in America toward one another and a respect for each other."

That "fundamental friendliness" appears fragile today. National Republicans overreacting to the first reports of Clinton's email server. Democrats in Maine claiming "the world is watching" whether the Legislature returns for a special session — at a cost of \$40,000 a day — to pass some paper expressing disapproval of Gov. Paul LePage, with no other effect.

In politics, we seem to first assume the worst of the other side, followed shortly by seeking political advantage. The substance — inappropriate treatment of classified information, whether the governor's actions rise to the level of impeachment — is ignored. This runs afoul of another Mattis maxim: "engage your brain before you engage your weapon."

So as we close in on November, it is incumbent on voters to engage their brains and find candidates who will help restore that "fundamental friendliness." It will be necessary whether we are facing a \$20 trillion national debt, social changes partially driving income inequality, or hacking of the classified materials of the National Security Agency.

That, or we can just all write-in Mattis. After all, he's never gone bankrupt or mishandled classified information. Unfortunately for us, that is the standard for 2016.

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Addiction

Continued from Page D1

ciety labels us as ex-convicts, offenders, addicts or junkies. These beliefs lead to ongoing systemic barriers, making successful re-entry incredibly difficult or impossible. People who are released try tirelessly to obtain work to provide for their family, find housing, and obtain any necessary treatment and health care.

What happens after the 50th landlord tells you that you can't rent an apartment because of your record, or the 50th employer explains that their company doesn't hire "felons"? You become depressed and abandon hope. Hopelessness leads to desperation, and when pushed into a corner that appears to have no way out, people will revert to the behaviors that they know will provide relief.

The antidote to desperation is opportunity. We must provide people involved with the criminal justice system a meaningful opportunity to succeed once their debt to society has been paid. This must begin with substantial improvements to programs that offer education, job training, mentorship, and any necessary counseling and therapy. We must address underlying mental health and substance use disorders if we are to have any chance of promoting successful re-entry.

We also must use a largely untapped resource — those who have already overcome the odds and thrived after prison. Often, the best way to reach someone who is actively addicted or involved in the system is to provide a mentor who has overcome similar challenges. While allies, academics and other professionals are essential to the success of the movement

away from mass incarceration, the value of using the direct experience of those people and communities that have been impacted most cannot be overemphasized. If there were two guides — one who had read a book about a dangerous hiking trail and another who had traveled down it and survived — whom would you trust to lead you?

Michigan is one example of where embracing these principles led to a dramatic reduction in recidivism. The Michigan Prisoner Reentry Initiative developed holistic, community-based re-entry strategies, including preparing comprehensive re-entry plans for individuals upon their entry into the system rather than scrambling to assemble a plan just before release. Plans are developed based on the needs and resources of each community as well as on the characteristics of the person being released. The plans address

key areas, including housing, employment, substance use services, mental health, transportation and victim services, and must involve local law enforcement and faith-based institutions. Each plan addresses local assets and gaps for each of the key areas and are designed to build upon existing services. Community stakeholders are brought in as key partners to the re-entry process — not as an afterthought. After the initiative's implementation, Michigan experienced an 18 percent reduction in recidivism.

Developing methods to encourage successful re-entry makes sense regardless of one's political views. When people are provided pathways toward meaningful lives after incarceration, the likelihood of further trouble with the law decreases. That's why I'm delighted that the White House and Department of Justice

launched National Reentry week, which promotes programs to encourage successful re-entry to society after involvement with the criminal justice system.

Implementing programs to provide mentorship, mental health or substance use treatment, job training and education is not "coddling convicts." Rather, it is an effective way to help people grow into productive members of society. It is vastly more humane and less expensive to provide people the necessary tools to pull themselves out of the often-generational cycle of poverty, addiction and incarceration than it is to ignore the causes of recidivism, effectively relegating people to what amounts to a life sentence on an installment plan.

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