



# **Marihuana Legalization in Michigan**

Michigan Association of Counties  
Legislative Conference  
March 2016

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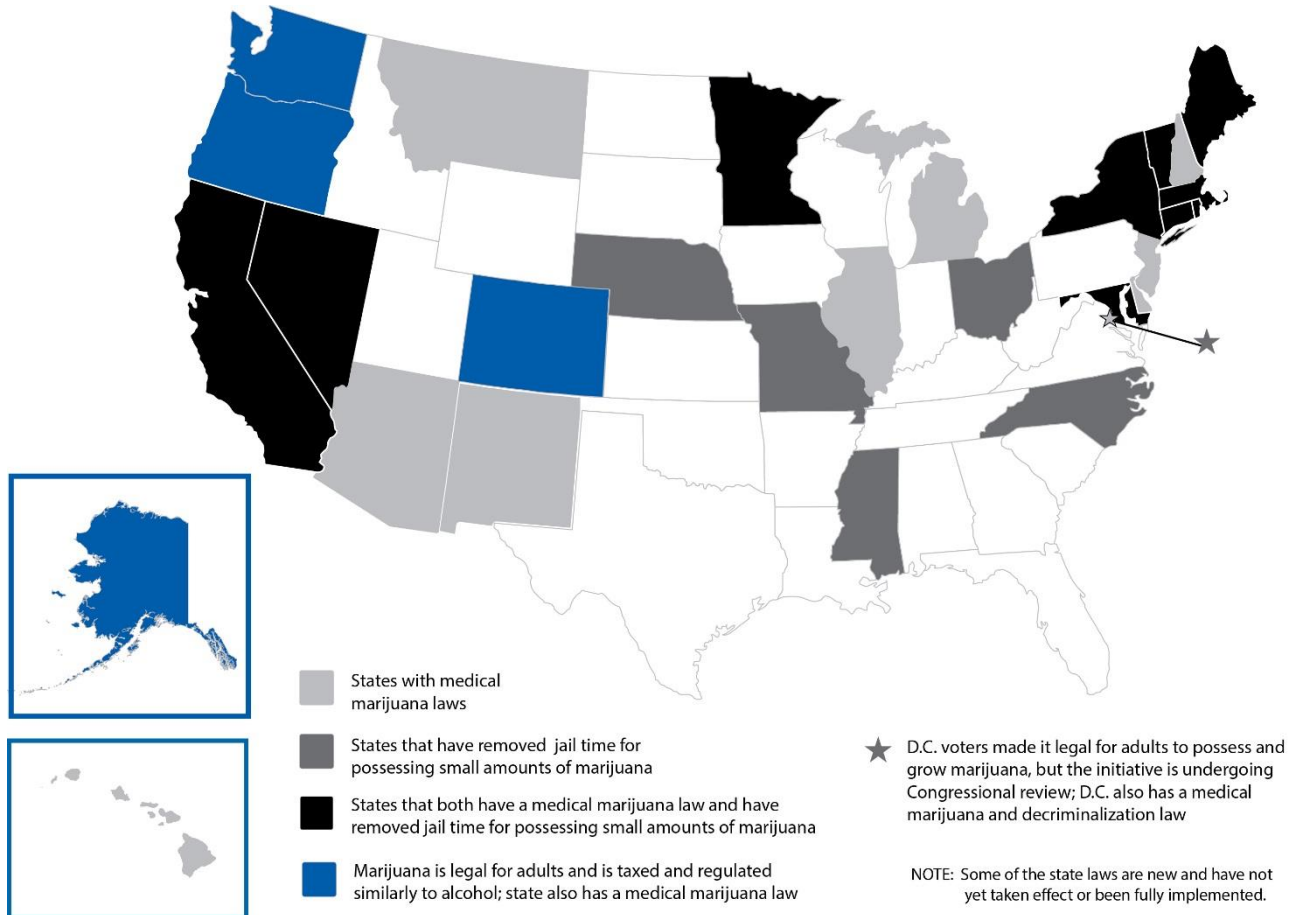


# Setting the Stage

## *Shifting Public Opinion*

- Nationally, 53% think marihuana should be legal (Pew Research, March 2015)
  - Public believes marihuana less harmful than – tobacco, alcohol, sugar (NBC News, March 2014)
- Michigan voters approve medical marihuana (2008)
- Michigan, 56% in favor of some form of adult-use legalization (Denno Research, August 2015)
- November vote in Ohio defeated
  - What did vote mean - against legalization or specific proposal?

# Michigan Would be 5<sup>th</sup> State to Authorize Adult-Use Marijuana





## Market Landscape

	<b>Colorado</b>	<b>Washington</b>	<b>Michigan (MI Legalize)</b>
<b>Market Size</b>	Est. 121 metric tons (21 and older resident) <i>Population: 5.4 million</i>	Est. 175 metric tons (all ages) <i>Population: 7 million</i>	??? <i>Population: 10 million</i>
<b>Market Structure</b>	Vertically integrated – cultivation, processing and manufacturing, and retail are common enterprise	Three tier – producer, processor, and retailer Prohibition against producer/processor also being a retailer	Two tier – product manufacturer and retailer No prohibition against same person holding both licenses
<b>Medical Marihuana</b>	Regulated	Regulated - unregulated until July 2015 Dispensaries being phased out – retail stores to replace	Largely unregulated at state level
<b>Home Grow</b>	Allowed (transfer up to one ounce to a person 21 older)	Prohibited	Allowed (transfer 2.5 ounces or less to consumer)
<b>Misc.</b>			<i>New hemp industry regulated by Dept. of Agriculture and Rural Dev.</i>



## Regulatory System

	<b>Colorado</b>	<b>Washington</b>	<b>Michigan (MI Legalize)</b>
<b>Regulatory Level</b>	State – top down Department of Revenue	State – top down Liquor and Cannabis Board	Local governments Dept. of Treasury responsible for tax collection
<b>Local Zoning Ordinance</b>	Yes	Yes	Yes
<b>Licensees and Limits</b>	Required - Producer/ Processor/Retailer/Testing No limit on number	Required - Cultivation/ Manufacturing/Store/Testing No limit on number	Required - “marihuana establishment” No limit on number
<b>Fees</b>	Uniform based on establishment type and size	Uniform based on establishment type and size	Unknown, likely non-uniform (not to exceed \$5,000 per establishment)
<b>Inventory Tracking (seed to sale)</b>	Mandatory	Mandatory	Not Mandatory
<b>Testing</b>	Mandatory – third party	Mandatory – third party	Not mandatory (implied for edibles)
<b>Labeling</b>	Mandatory	Mandatory	Mandatory



# Can Marihuana Solve the State's Fiscal Problems?

	<b>Colorado</b>	<b>Washington</b>	<b>Michigan (MI Legalize)</b>
<b>Taxes</b>	15% (wholesale rate) 10% (retail sales) State sales tax Local sales tax if applicable	37% retail sales State sales tax Local sales tax if applicable	10% retail sales State sales tax <i>Local taxes prohibited by state constitution</i>
<b>Medical Marihuana Exempt</b>	Yes – but pays sales tax	No – but exempt from sales tax	Yes
<b>State Tax Revenue</b>	FY2015 ~ \$88M	FY2015 ~ \$70M FY2019 ~ \$369	???
<b>Revenue Disposition</b>	State (enforcement) Local governments School construction	General Fund Local governments	Transportation (40%) Schools (40%) Local governments (20%)



# **Cleaning Up the 2008 Initiated Law**

## *Regulating Medical Marihuana Facilities*

- Medical Marihuana Facilities Licensing Act (HB 4209) creates an entirely new and separate regulatory and taxation system (not MMMA)
- Looks very similar to CO/WA systems
  - State-run, top down regulation
  - Three-tier (grower, processor, provisioning center - dispensary)
  - License based on type and size (# of plants)
  - Creates secure transporter and testing licenses
- 3% tax of gross retail income (75% to locals)
- Creates "seed to sale" tracking system (HB 4827)



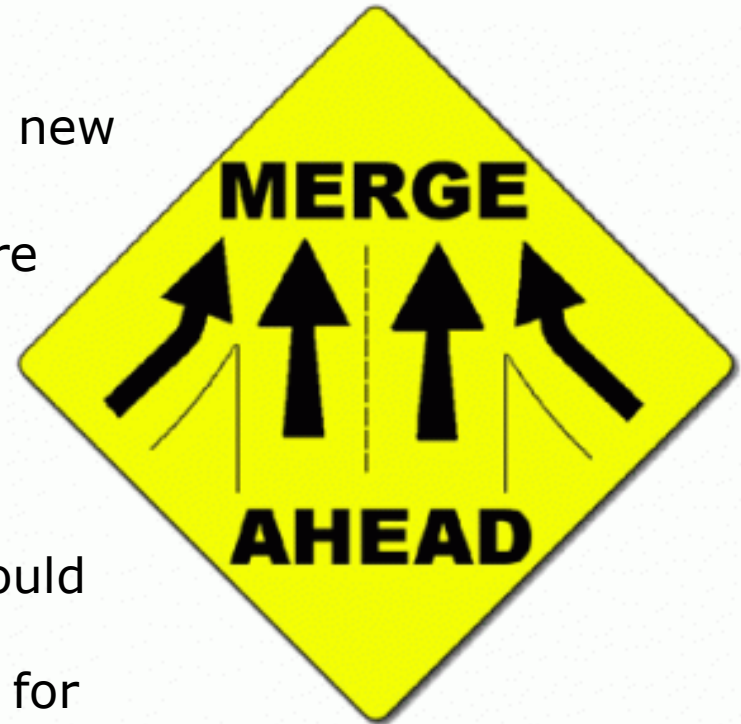
## Maintaining Separate Regulatory and Taxation Systems?

### Washington

- Legislature merged previously unregulated medical industry with new adult-use industry
- Regulatory and tax structures more unified under merger

### Michigan

- MMMA would remain in place with recreational use approval
- Proposed legislation (HB 4209) would establish a separate licensing and regulation framework from MMMA for medical marijuana
- *Result: Three separate systems*





## Some Takeaways

- WA and CO had medical marijuana long before adult-use pot was authorized, Michigan since 2008
- WA and CO regulatory systems mirror liquor control model, Michigan gives control to local governments
- WA and CO combine both medical and adult-use markets, Michigan keeps them separate
- Pot is not a huge boon to the state budget, but it helps



## Sources Consulted

- National Conference of State Legislatures, "Marijuana Overview," September 2015.
- The Marijuana Policy Group, "Market Size and Demand for Marijuana in Colorado," 2014.
- The Rand Corporation, "Before the Grand Opening, Measuring Washington State's Marijuana Market in the Last Year Before Legalized Commercial Sales," 2014.
- Brookings Institute, "Colorado's Rollout of Legal Marijuana is Succeeding," July 2014.
- Colorado Department of Revenue, Marijuana Enforcement Division, "Annual Update 2014," February 2015.
- Washington State, Liquor and Cannabis Board, "FAQs on I-502," [www.liq.wa.gov](http://www.liq.wa.gov).