

# Marijuana Legalization, Tax Revenues, & Target Funding

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Marijuana legalization, if passed in California in 2016, will create a new tax revenue stream. There will be another California gold rush as initiative proponents, special interest groups, lobbyists, and legislators line up to spend new income. However, as cautioned in Lt. Gov. Gavin Newsom's Blue Ribbon Commission (BRC) report, estimates of revenue streams vary widely.

The basic assumption of the present brief is that only some activities, such as outcomes/research studies and a reference laboratory, can be budgeted for specific dollar amounts. Since youth are the population at greatest risk for medical, educational, and legal harms associated with excessive marijuana use, it seems prudent to reserve a first portion of new revenues for structured interventions and remediations. The key intervention activities proposed here (student assistance programs and community based treatment for youth) are best funded as reserved percentages of new income.

It is the thesis of this paper that a special reserve of new tax revenue should be constructed (with an emphasis on protection of youth) within the 2016 legalization initiative itself. This is not as simple as it sounds since real income is difficult to predict, and legislators rightfully distrust such reserves as entitlement programs over which they have scant control. However, initiative prose is sometimes the only way to ensure that key program components are properly funded in a sustainable manner. Generally speaking, the bulk of new revenue should *not* be seen as a gift to the state General Fund, it should be spent on evidence-based best practices to address potential harms.

The following domains should receive priority funding:

**1. Student Assistance Programs (SAP):** Adolescents constitute the highest risk group for problems associated with marijuana use. Risks to educational progress are arguably higher than the risks for persistent addiction. SAPs are analogous to Employee Assistance Programs (EAPs); and, for adolescents, their schools are their workplaces. There are three decades of national experience in diverse SAPs, and school districts should be free to choose designs most appropriate locally. SAPs should provide cognitive and drug-use assessments, school-based counseling services, peer support groups, and appropriate outside treatment referrals. Measurable goals should include diminished drug use and school retention.

- 15% tax reserve to fund SAPs.
- Abolition of zero-tolerance expulsions and suspensions for drug use/possession.
- Ongoing outcomes evaluations and suspension/expulsion tracking.

**2. Professional Treatment:** California has very little publically-funded treatment for Cannabis Use Disorders (CUD). Parents with means may access expensive remote wilderness programs, therapeutic schools, and private-practice clinicians. Recent surveys in California high schools find that 8% of juniors are already heavy users of marijuana (>20 days/mo.); and, 3% are already regular users (10-19 days/mo.). And, this is before any adult legalization initiative has passed. These students are at higher risk than others, particularly for impaired academic performance. For many, particularly disadvantaged families, marijuana-related arrests and juvenile justice probation are the default doors to "treatment," but criminal proceedings should not be a primary door for accessing care.

- SAPs should develop referral mechanisms for professional evaluations and followup care.
- Medi-Cal and ACA Insurance Supplementation for treatment of youthful drug-use disorders.
- Public sector clinical assessment and treatment programs for adolescents.

**3. Research Studies:**

- **Outcomes Studies:** Five-year center grant of \$6 million per year with annual COLAs. Please note that all state universities charge very substantial overhead for hosting grant-funded research. All interventions

funded by Cannabis Tax revenues should include adequate sustained funding to measure long-term outcomes. Such studies should be carried out by University of California or California research institutes (such as RAND) investigators. Initial priorities are assessment of SAPs, juvenile justice interventions, and emergency room presentations of cannabis-related urgencies/emergencies.

- **Technical Research:** \$5 million per year. The three greatest problems requiring technical research are (1) assessment of cannabis intoxication and driving risks, (2) clinical effects of high-potency extracts and edible products, and (3) analysis and labeling of product contents and contaminants.

**4. Public Education:** Media presentations should target adults and youth alike with balanced, scientifically sound information. Scare them straight and DARE-type programs should not be funded by new revenues. Every effort should be made to provide information rather than propaganda.

- Harm reduction (delay of use, reduction of use) should be explicitly supported.

**5. Separation of Medical and Recreational Marijuana:** Separate dispensaries and business ownership organizations are needed to separate the medical marijuana and recreational marijuana markets.

- **Medical Marijuana (MMJ):** MMJ is poorly regulated in California and is a source for considerable diversion. The current “recommendation” system needs to be separately re-designed to a standard prescription system. The long-term goal for MMJ is to fill cannabinoid prescriptions through standard pharmacies, with the usual regulatory controls over pharma products and prescribing.
- **Recreational Cannabinoids:** Recreational products require product controls (see below), explicit labeling of cannabinoid contents, purity, and potency. There should be no cannabinoid candies or child-friendly products. Unit doses need to be clearly labeled. High potency products (>15% THC) must be in child-proof containers with warning labels about potency and delayed absorption.

**6. Cannabinoid Product Controls:** Both the MMJ and Recreational outlets should clearly label cannabinoid contents, purity, potency, and single-serving information. All labels must include information about the dispensary distributing the product and the lot numbers of the unrefined precursors. Sample testing of all products for sale should be done by a reference laboratory at vendor’s expense. Random sample testing of for-sale products must be included.

- **Reference Laboratory:** The state needs to fund a reference laboratory for testing of cannabinoid products for purity, contents, potency, and contaminants.
- **Lot Numbers:** Cannabis products must be tracked from farm, to extraction, to dispensary. This will enable *ad hoc* tracking of problematic lots following toxicology emergencies.

**7. Juvenile Justice Oversight:** A 2016 legalization initiative must clearly discriminate legal criteria defining infractions, misdemeanors, and felonies for minors. It must also define non-criminal sanctions for each category. Upcharging of possession (for example, possession→intent to distribute) should be eliminated as a means of entry into juvenile probation. Non-criminal sanctions may include fixit tickets, required education (similar to DUI courses), SAP participation, and parental notification/engagement.

- **Non-Partisan Oversight of Juvenile Justice Outcomes:** The juvenile justice system has received major criticisms and a reorganization in the past several years; however, it remains unclear just what constitutes probation-based or in-custody “treatment.” We need to develop and fund a data monitoring and outcomes system for adjudicated adolescents. This is best done by a non-partisan group, such the Legislative Analyst’s Office (LAO), outside of the California Department of Corrections and Rehabilitation (CDCR).